



10580 Justin Drive
Urbandale, IA 50322

Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

A REAL PROPERTY; PERSONAL PROPERTY; INTANGIBLE PROPERTY APPRAISAL IN AN APPRAISAL OF

City Of Buffalo Water/Wastewater System

LOCATED AT

Series of Land Parcels
Buffalo, Iowa

CLIENT

City of Buffalo



10580 Justin Drive
Urbandale, IA 50322

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August 9, 2024

Ms. Tanna Leonard
City of Buffalo
329 Dodge Street
Buffalo, Iowa 52728

Re: Tax Parcels:
#722201201
#722239001
#7221230061
Buffalo, Iowa 52728

Dear Ms. Leonard,

At your request, we have appraised a real property interest for the above real estate. Our objective was to form one or more opinions about the market value for a 100% ownership interest in the subject property's fee simple and any dominant estate of easements for access and maintenance of water and wastewater services assuming no liens or encumbrances other than normal covenants and restrictions of record.

The subject property consists of a series of parcels constituting a total of 1.84 acres improved with buildings and equipment including wells, filtration equipment, water equipment buildings, fencing, ground storage tanks, pumps, hydrants, valves and piping as well as gravity sewer lines, manholes, lift station, wastewater equipment building and lagoons. The rights and interests of the subject property also include the assumption of easements providing access for service and maintenance of the water and wastewater systems for the City of Buffalo.

This valuation contains analyses, opinions, and conclusions along with market data and reasoning appropriate for the scope of work detailed later herein. It was prepared solely for the intended use and intended user(s) explicitly identified in the attached report.

Unauthorized users do so at their own risk. The appraisal is communicated in the attached An Appraisal Report, and conforms to the version of the Uniform Standards of Professional Appraisal Practice (USPAP) in effect on this report's preparation date of August 9, 2024.

This letter is not an appraisal report hence it must not be removed from the attached 73-page report. If this letter is disjoined from the attached appraisal report, then the value opinions set forth in this letter are invalid because the analyses, opinions, and conclusions cannot be properly understood.

In general, valuation of the subject property involves several significantly atypical issues. All value opinions are affected by all the information, extraordinary assumptions, hypotheses, general limiting conditions, facts, descriptions, and disclosures stated in the attached appraisal report. After careful consideration of all factors pertaining to and influencing value, the data and analysis thereof firmly supports the following final value opinion(s) for the subject property as of July 01, 2024:

\$6,000,000 Market Value

A handwritten signature in dark ink, appearing to be 'Gene F. Nelsen', written in a cursive, stylized script.

Gene F. Nelsen, MAI, CCIM
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2025

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Overview

Salient Information	
<i>Property Type</i>	City of Buffalo Waste Water & Water System
<i>Real Estate Appraised</i>	Parcels: 722201201;722239001;7221230061 Buffalo, Iowa 52726
<i>County</i>	Scott
<i>Estate Valued</i>	100% of the Fee Simple And Dominant Estate Of Easements Estate
<i>Client</i>	City of Buffalo
<i>Client File Number</i>	None
<i>Most Likely Buyer</i>	Investor Owned Public Utility
<i>Effective Value Date</i> (point in time that the value applies)	July 01, 2024
<i>Report Date</i> (date the report is transmitted to client)	August 9, 2024
<i>Final Value Conclusion(s)</i>	\$6,000,000

Noteworthy Issues

This report incorporates the City of Buffalo's reported number of water [426] and wastewater [412] connections communicated to the appraisers by the City Attorney.

The rights and interests being acquired by the buyer also include easement rights for service and maintenance of existing water and sewer lines and equipment for residential and commercial users in the City of Buffalo. We do not have an itemization with legal description for these rights and interests.

We do not consider these rights and interests to have value, for purposes of this appraisal, to a buyer independent of, or in addition to, the acquisition of the water and wastewater systems that are described and valued by the Cost and Sales Comparison Approach to value in this report.

The property was observed primarily through the use of aerial photography from public and private sources. This was considered appropriate because of [1] extensive inventory of assets provided by owner and summarized by licensed engineers; [2] equipment building improvements are small and older [3] small amount of land.



Scope of Work

Introduction

The Uniform Standards of Professional Appraisal Practice (USPAP) defines scope of work as “the type and extent of research and analysis in an assignment”. Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is observed;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Assignment Elements

The purpose of this assignment (the problem to be solved) is to form one or more opinions about value. This purpose necessitates identification of seven assignment elements listed below.

1. Client Information

Client's Name **	Ms. Tanna Leonard
Client's Company Name	City of Buffalo
Client's Agent	Not Applicable
Agent's Company Name	Not Applicable
Appraiser(s) Engaged By	The Client
Client's Interest In Property Appraised	Clerk, City of Buffalo

2. Other Intended Users

Iowa Utilities Board

3. Intended Use Of Report (*To aid*)

Regulatory Compliance

4. Value Opinion(s) Developed

Market value

Standard / Definition Of Value Used To Form The Value Opinion(s)	Advisory Opinion 30 of USPAP
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*** The client is always an intended user.*

Scope of Work

Assignment Elements

5. Key Dates

Effective Value Date <i>(point in time the value applies)</i>	July 01, 2024
Date Property Appraised Was Observed By One Or More Appraisers Signing This Report	Observed by aerial photography

6. Assignment Conditions

Extraordinary Assumptions	One Or More Apply, Detailed Later Herein
Hypothetical Conditions	None Used
Jurisdictional Exceptions	None Used
Expected Public or Private On-Site or Off-Site Improvements Affect Value	Not Expected
Assemblage of Estates or Component Parts Affects Value	Not Expected
Other	None Used

Scope of Work

Relevant Characteristics

The seventh assignment element is relevant characteristics about the property appraised. These characteristics are typically categorized as physical, legal, and economic.

Physical attributes of the property appraised are presented later in the Subject section of this report. Some characteristics are identified below. Atypical issues are listed in the Noteworthy Issues section and may be further detailed elsewhere herein.

Unless specifically stated otherwise, the estate appraised (listed below) assumes no adverse leases, liens or encumbrances other than normal covenants and restrictions of record.

7a. Physical

Existing Property Use	Water and Waste Water System
Property Use Reflected In One Or More Value Opinions	Continued Use As Is
Sources of Information About the Property Appraised Included	City Engineer, City Clerk, Observation

7b. Legal

Category Of Property Appraised	Real Property; Personal Property; Intangible Property
Estate(s) Appraised	Fee Simple And Dominant Estate Of Easements
Legal Issues Considered	No Atypical Legal Issues
Environmental Concerns	No Known Environmental Concerns

7c. Economic

Effect Of Lease(s) On Value	No Leases Hence Not Applicable
Cost Information	
Type of Reconstruction Cost Used	Replacement Cost
Source of Reconstruction Cost Information	Cost Estimating Guide for Water, Wastewater, Roads and Buildings, For Use in Preparing the Local Infrastructure Capital Improvement Plan.

Scope of Work

Extent of Services Provided

Number of Final Value Opinions Developed	One
Value Opinion(s) Reflect The Worth Of the Property Appraised	As Is
Extent Of Report Preparation	An Appraisal Report
Other Reporting Requirements	Not Applicable
Extent Of Data Research	Extensive
Data Sources	Online Public Records; Other Appraisers
Documents Considered	DNR Public Water Supply Sanitary Survey; Sewer and Water inventories; Water and Wastewater treatment plant replacement costs
Data Verification	Direct and Indirect Methods Aerial Photographic Observation
Extent Of Subject Observation By One Or More Appraisers Signing Report	Specifics of this viewing, if any, are detailed in the Extraordinary Assumptions & Disclosures section of this report.

Other Intended Use Considerations

Client's Prior Engagement Of Appraisal Services	None
Loan To Value Ratio	Not Applicable
Atypical Issues	Several Significantly Atypical Issues
Assignment Complexity	Very Complex
Insurable Value	Insurable Value Is Not An Intended Use

Miscellaneous Matters

Scope of Work Agreement	No Written Agreement
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Scope of Work

Appraisal Development

Appraisal development is the extent of research and analyses that produce one or more credible opinions of value for one or more specifically identified intended users and an explicitly stated intended use. In this context, credible is defined as "worthy of belief".

Depending upon the intended use, intended users, and agreements between the appraiser and the client, the appraisal development process may include several, but not necessarily all of the following tasks.

- observation of the property appraised
- research for appropriate market data
- data verification
- consideration of influential market area, physical, economic, and governmental factors
- determination of the subject's highest and best use(s), if appropriate
- development of one or more applicable approaches to value
- reconciliation of value indications
- preparation of this report

In most cases, the core valuation process begins with a highest and best use analysis. This is essential because it establishes a framework for the proper selection of comparable. Cited comparable should have a similar highest and best use as the property appraised.

Scope of Work

Appraisal Development

If some property modification like new construction is contemplated, a feasibility analysis may be appropriate. In some cases, feasibility may simply be justified by inferred market evidence like low vacancy or rising rents.

According to USPAP, all approaches that are applicable to the interest being appraised and necessary to produce credible results must be developed. The type of highest and best use; extent of feasibility considered; and the relevance of each major approach are listed below.

Highest and Best Use	An Inferred Demand Analysis
Feasibility Analysis <i>(a more detailed study separate from highest & best use)</i>	Separate Feasibility Analysis Not Developed
Cost Approach	Applicable And Included In Report
Sales Comparison	Applicable And Included In Report
Income Approach	Applicable Yet Not Necessary For Credible Results Hence Omitted

Quoting "*The Appraisal of Real Estate*" Thirteenth Edition published by the Appraisal Institute, page 186 says

"Highest and best use analysis and feasibility analysis are interrelated, but feasibility analysis may involve data and considerations that are not directly related to highest and best use determinations. Such analyses may be more detailed than highest and best use analysis, have a different focus, or require additional research."

Applicable and necessary approaches were selected for development after consideration of available market data, intended use, and intended user(s). An approach considered not applicable was omitted because this methodology is not appropriate for the property interest being appraised, or sufficient data to properly develop the approach was not available.

Scope of Work

Concept Explanations

Intended use and all intended user(s) should be weighed heavily during the scope of work decision. A single intended user who frequently engages appraisal services is likely very knowledgeable about the appraisal process. For this type user, the appraisal development and reporting for less complex property types might be toward the lower end of the spectrum. By contrast, multiple intended users, especially those with opposing motivations, likely need extensive appraisal development and reporting. Litigation is a prime example when a thorough appraisal development and detailed reporting is warranted.

A loan to value ratio reflects risk. For commercial-grade loans, ratios over 75% are generally regarded as risky. If a contemplated loan is viewed as risky, then the extent of appraisal development and the level of report detail should be more comprehensive. Similarly, more complex properties generally warrant more thorough analyses and more extensive report details.

Prior engagement of appraisal services by a client implies a level of awareness about the appraisal process. A greater awareness may justify a less thorough level of report detail whereas the opposite is true for an individual who has never engaged an appraisal.

A Jurisdictional Exception is an assignment condition, which voids a portion of USPAP that is contrary to law or public policy. When a Jurisdictional Exception applies, only the contrary portion is void. The remainder of USPAP remains in full force and effect. Jurisdiction Exceptions always shrink USPAP, not expand it.

Data verification affects reliability. Direct data verification confirms information used in the report with one or more parties who have in-depth knowledge about physical characteristics for the property being appraised, or related financial details. Indirect verification employs information obtained from a secondary source like a data reporting service, a multiple listing service, or another appraiser. Direct verification is generally more time-consuming and costly, but also more reliable.

Information from all data sources was examined for accuracy, is believed reliable, and assumed reasonably accurate. However, no guaranties or warranties for the information are expressed or implied. No liability or responsibility is assumed by Nelsen Appraisal Associates, Inc. or the appraiser(s) for any inaccuracy from any seemingly credible information source.

Scope of Work

Concept Explanations

A statement about observation of the subject property by the appraiser(s) is listed above. If the subject was observed, this viewing was not as thorough as a professional property inspection. A professional inspector determines the precise physical condition, remaining useful life, and operability of major building components like the structural system, roof cover, electrical system, plumbing, and heating plant. Inspectors typically do not ascertain size of the building, or characteristics of the land. By contrast, an appraiser commonly ascertains both land and building size. Ordinarily, appraisers do not determine operability, or remaining useful life of building systems. An appraiser typically views real estate to determine only general attributes like physical condition of the building as a whole, site topography and access, building size, construction quality, floor plan, and functionality of the property as a whole. For this appraisal, no probes, investigations, or studies were made to discover unapparent, adverse physical features.

Highest and best use analyses can be categorized into two groups - inferred and fundamental. A fundamental analysis is quantified from broad demographic and economic data such as population, household size, and income. Supply is inventoried. Subject specific characteristics are considered. Then, the relationship between supply and demand is weighed to determine a specific highest and best use for the subject. An inferred analysis uses local trends and patterns to infer a general highest and best use for the subject. For an inferred analysis, market dynamics that might be considered include prices, market exposure times, rents, vacancy, and listings of similar real estate. Inferred analyses emphasize historical data while fundamental analyses are based on future projections. The kind of highest and best use analysis utilized in this assignment is listed above.

Report Reliance & Use Restrictions

No liability is assumed, expressed, or implied by Nelsen Appraisal Associates, Inc., or the appraiser(s) for unauthorized use of this report. Only those persons, parties, entities, companies, corporations, partnerships, associations, or groups that are explicitly identified as an intended user on page 2 may rely on, and use this report. There are no implied, suggested, inferred, consequential, or indirect intended users of this report. Unauthorized users should not use, or rely on any portion of this document. Unauthorized users do so at their own risk and peril.

Scope of Work Exclusion - Insurable Value

The cost approach may or may not have been developed herein. Unless explicitly stated otherwise, the cost approach was developed solely to support the subject's market value. Use of this appraisal, in whole or part, for another purpose is not an expected intended use. Nothing in this appraisal should be used, or relied upon to determine the amount or type of insurance coverage to be placed on the subject property. The signatory / signatories to this report assume no liability for, and do not guarantee that any insurable value inferred from this report will result in the subject property being adequately insured for any loss that may be sustained. Since labor costs, material costs, building codes, construction intervals, and governmental regulations are constantly changing, the cost approach may not be a reliable indication of replacement or reproduction cost for any date other than this report's effective value date.

Extraordinary Assumptions & Disclosures

An extraordinary assumption is defined by the Uniform Standards of Professional Appraisal Practice (USPAP) to be “an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinion or conclusions”. Extraordinary assumptions presume as fact otherwise uncertain information. In other words, this type assumption involves uncertainty about an underlying premise. An example is a survey that displays a lot size. If the lot size is later found to be much smaller, then the value conclusion may be negatively affected.

USPAP Standard Rule 1-2(f) requires the identification of all extraordinary assumptions that are necessary for credible assignment results. This appraisal employs the following extraordinary assumptions.

- Features of the subject sites such as legal description, dimensions, size, etc. were obtained from the Scott County Assessor. All information taken therefrom is assumed reasonably correct.
- Some details of the subject site like size and shape were obtained from City of Buffalo and Engineering schedules.
- Information about the physical condition of the subject property was based on public and private aerial photography; records of the City of Buffalo, and reports of the Department of Natural Resources [DNR], Iowa.
- Real estate tax information for the subject was obtained from Scott County Assessor.
- Assumptions and presumptions discussed in the **Noteworthy Issues** section of this report, if any, are incorporated by way of reference into these Extraordinary Assumptions & Disclosures.
- A recently issued title policy was not furnished to the appraiser(s). If a value-impairment is identified or suggested in a title policy, another professional report, or some other document, this appraisal does not address issues that are significantly atypical for a valuation of this type property unless specifically identified in the Scope of Work and/or Noteworthy Issues section of this report.

The above extraordinary assumptions as well as other assumptions anywhere herein are integral premises upon which the conclusions in this document are based. If any of these assumptions are later found to be materially untrue or inaccurate, then this report’s assignment results may or may not be affected.

Hypothetical Conditions

USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

Hypothetical conditions assume conditions that are contrary to known fact. An illustration is the current valuation of a proposed home. For the purpose of a rational analysis, it is assumed the home exists on the effective value date, but it is known the home is nonexistent. Another example is a new zoning classification, that a property does not have today, but the new zoning is assumed for the purpose of a logical current valuation. Uncertainty is not involved with a hypothetical condition. An essential premise underlying the valuation is known not to exist on the effective value date.

USPAP Standard Rule 1-2(g) requires the identification of all hypothetical conditions that are necessary for a credible value opinion. This appraisal employs no hypothetical conditions.

Personal Property & Intangibles

Personal property is movable and **not** permanently affixed to the real estate and is not necessarily intended for its use at the property.

Examples of personal property are freestanding ranges, refrigerators, tables, chairs, beds, desks, silverware, linen, hand tools, and small utensils. An intangible is a nonphysical asset like franchises, trademarks, patents, goodwill, and mineral rights.

Personal or intangible property included in this appraisal's value opinion is not significant to the value opinion.

Equipment and easement rights are integrally connected with the operation of the water and wastewater systems and not considered as having a value separable from the real estate. This report's final value opinion does not include any non-realty components unless specifically listed above.

Definition of Market Value

The definition of *market value* is used in all federally regulated transactions that exceed a minimum amount. This definition is mandated by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. The exact same definition was published in the Federal Register several times by different federal agencies. Some printings are: 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; and 59 Federal Register 29499, June 7, 1994.)

Federal agencies publishing the **exact same definition** include the

- Office of the Comptroller of the Currency (OCC) as 12 CFR 34, subpart C
- Federal Reserve Board (FRB) as 12 CFR 225, Subpart G
- Federal Deposit Insurance Corporation (FDIC) as 12 CFR 323.2, Definition (g) in 55 Federal Register, 33,888 August 20, 1990, Effective September 19, 1990.
- Office of Thrift Supervision (OTS) as 12 CFR 564
- National Credit Union Administration (NCUA) as 12 CFR 722

The **exact same definition** was again published jointly by the OCC, OTS, FRS, and FDIC on page 61 of the “*Interagency Appraisal and Evaluation Guidelines*”. These guidelines were published in the Federal Register on December 10, 2010 as Volume 55, page 77472. All the above citations defined market value as:

“the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *buyer and seller are both typically motivated;*
- *both parties are well informed or well advised, and acting in what they consider their own best interests;*
- *a reasonable time is allowed for exposure in the open market;*
- *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”*

Virtually the same definition is also cited in Advisory Opinion 30 in the Uniform Standards of Professional Appraisal Practice (USPAP).

Definition of Real Property Estates

One or more of the following underlined legal estates or interests are valued in this report. Definitions of three estates, quoted immediately below, are from *The Dictionary of Real Estate Appraisal*, 6th Edition; published by the Appraisal Institute, copyright 2015.

- Fee Simple Estate *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*
- Leased Fee Estate *"The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."*
- Dominant Estate *"The right to perform a specific action on a property owned by another."*

Assemblage

USPAP Standard Rule 1-4(e) requires an analysis of the assemblage of various estates or component parts that affect value. In this case, no assemblage is expected so value is not affected.

Contingent and Limiting Conditions

1. By this notice, all persons, companies, or corporations using or relying on this report in any manner bind themselves to accept these Contingent and Limiting conditions, and all other contingent and limiting conditions contained elsewhere in this report. Do not use any portion of this report unless you fully accept all Contingent and Limiting conditions contained throughout this document.
2. The "Subject" or "Subject Property" refers to the real property that is the subject of this report. An Appraiser is defined as an individual person who is licensed to prepare real estate appraisal-related services in the State of Iowa and affixes his / her signature to this document.
3. Throughout these Contingent and Limiting Conditions, the singular term "Appraiser" also refers to the plural term "Appraisers". The terms "Appraiser" and "Appraisers" also refer jointly / collectively to "Nelsen Appraisal Associates, Inc.", its officers, employees, contractors, personnel, staff, shareholders, members, and affiliates. The masculine terms "he" or "his" also refer to the feminine term "she" or "her".
4. In these Contingent and Limiting Conditions, the "Parties" refers to all of the following collectively: (a) the Appraiser(s), (b) Nelsen Appraisal Associates, Inc., (c) the client, and (d) all intended users.
5. These Contingent and Limiting Conditions are an integral part of this report along with all certifications, definitions, descriptions, facts, statements, assumptions, disclosures, hypotheses, analyses, and opinions.
6. All contents of this report are prepared solely for the explicitly identified client and other explicitly identified intended users. The liability of the Appraiser is limited solely to the client. There is no accountability, obligation, or liability to any other third party. Other intended users may read but not rely on this report. In no event, shall the Appraisers be liable for consequential, special, incidental or punitive loss, damages or expense (including without limitation, lost profits, opportunity costs, etc.) even if advised of their possible existence. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all contingent and limiting conditions, assumptions, and disclosures. Use of this report by third parties shall be solely at the risk of the third party.
7. This document communicates the results of an appraisal assignment. This communication is not an inspection, engineering, construction, legal, or architectural report. It is not an examination or survey of any kind. Expertise in these areas is not implied. The Appraiser is not responsible for any costs incurred to discover, or correct any deficiency in the property.

Contingent and Limiting Conditions

8. As part of this appraisal, information was gathered and analyzed to form opinion(s) that pertain solely to one or more explicitly identified effective value dates. The effective value date is the only point in time that the value applies. Information about the subject property, neighborhood, comparable sales, or other topics discussed in this report was obtained from sensible sources. In accordance with the extent of research disclosed in the Scope of Work section, all information cited herein was examined for accuracy, is believed to be reliable, and is assumed reasonably accurate. However, no guaranties or warranties are made for this information. No liability or responsibility is assumed for any inaccuracy which is outside the control of the Appraiser, beyond the scope of work, or outside reasonable due diligence of the Appraiser.
9. Appraiser and Client agree the following mutual limitation of liability is agreeable in consideration of the fees to be charged and the nature of appraisal services provided under this Agreement. Appraiser and Client agree to the fullest extent permitted by applicable law, that the Appraiser's and its Personnel's maximum aggregate and joint liability to the other party for claims and causes of action relating to this Agreement for appraisals or other services under this agreement shall be limited to \$25,000 or the total of all fees and costs charged by the Appraiser for services that are subject of the claim(s) or cause(s) of action. This limit of liability extends to all types of claims or causes of action, whether in breach of contract or tort, including without limitation claims / causes of action for negligence, professional negligence, or negligent misrepresentation on the part of either party or its Personnel, but excluding claims / causes of action of intentionally fraudulent conduct, criminal conduct, or intentionally caused injury. The Personnel of each party are intended third party beneficiaries of this limitation of liability. The word "Personnel", as used in this paragraph, means the respective party's staff, employees, contractors, members, partners, affiliates, and shareholders. Appraiser and Client agree that they each were free to negotiate different terms than stated in this Agreement or contract with other parties.
10. Real estate values are affected by many changing factors. Therefore, any value opinion expressed herein is considered credible only on the effective value date. Every day that passes thereafter, the degree of credibility wanes as the subject changes physically, the economy changes, or market conditions change. The Appraiser reserves the right to amend these analyses and/or value opinion(s) contained within this appraisal report if erroneous, or more factual-information is subsequently discovered. No guarantee is made for the accuracy of estimates or opinions furnished by others, and relied upon in this report.
11. In the case of limited partnerships, syndication offerings, or stock offerings in the real estate, the client agrees that in case of lawsuit (brought by the lender, partner, or part owner in any form of ownership, tenant, or any other party), the client will hold Nelsen Appraisal Associates, Inc., its officers, contractors, employees and associate appraisers completely harmless. Acceptance of, and/or use of this report by the client, or any third party is prima facie evidence that the user understands and agrees to all these conditions.

Contingent and Limiting Conditions

12. For appraisals of multiunit residential, only a portion of all dwellings was observed. A typical ratio of observed dwellings roughly approximates 10% of the total number of units, and this ratio declines as the number of dwellings grows. It is assumed the functionality, physical condition, construction quality, and interior finish of unseen units are like the functionality, physical condition, construction quality, and interior finish of observed units. If unobserved dwellings significantly differ from those that were viewed in functionality, physical condition, quality, or finish, the Appraiser reserves the right to amend theses analysis and/or value opinion(s).
13. If the appraised property consists of a physical portion of a larger parcel is subject to the following limitations. The value opinion for the property appraised pertains only to that portion defined as the subject property. This value opinion should not be construed as applying with equal validity to other complementary portions of the same parcel. The value opinion for the physical portion appraised + the value of all other complementary physical portions may or may not equal the value of the whole parcel.
14. Unless specifically stated otherwise herein, the Appraiser is unaware of any engineering study made to determine the bearing capacity of the subject land, or nearby lands. Improvements in the vicinity, if any, appear to be structurally sound. It is assumed soil and subsoil conditions are stable and free from features that cause supernormal costs to arise. It is also assumed existing soil conditions of the subject land have proper load bearing qualities to support the existing improvements, or proposed improvements appropriate for the site. No investigations for potential seismic hazards were made. This appraisal assumes there are no conditions of the site, subsoil, or structures, whether latent, patent, or concealed that would render the subject property less valuable. Unless specifically stated otherwise in this document, no earthquake compliance report, engineering report, flood zone analysis, hazardous substance determination, or analysis of these unfavorable attributes was made, or ordered in conjunction with this appraisal report. The client is strongly urged to retain experts in these fields, if so desired.
15. If this report involves an appraisal that values an interest, which is less than the whole fee simple estate, then the following disclosure applies. The value for any fractional interest appraised + the value of all other complementary fractional interests may or may not equal the value of the entire fee simple estate.
16. If this appraisal values the subject as though construction, repairs, alterations, remodeling, renovation, or rehabilitation will be completed in the future, then it is assumed such work will be completed in a timely fashion, using non-defective materials, and proper workmanship. All previously completed work is assumed completed in substantial conformance with plans, specifications, descriptions, or attachments made or referred to herein. It is also assumed all planned, in-progress, or recently completed construction complies with the zoning ordinance, and all applicable building codes. A prospective value opinion has an effective value date that is beyond or in the future relative to this report's preparation date. If this appraisal includes a prospective valuation, it is understood and agreed the Appraiser is not responsible for an unfavorable value effect caused by unforeseeable events that occur before completion of the project.

Contingent and Limiting Conditions

17. This valuation may or may not include an observation of the appraised property by an Appraiser. The extent of any observation is disclosed in the Scope of Work section of this report. Any observation by an Appraiser is not a professional property inspection. Viewing of the subject was limited to components that were not concealed, clearly observable, and readily accessible without a ladder on the property observation date. As used herein, readily accessible means within the Appraiser's normal reach without the movement of any man made or natural object. Comments or descriptions about physical condition of the improvements are based solely on a superficial visual observation. These comments are intended to familiarize the reader with the property in a very general fashion.
18. The allocation of value between the subject's land and improvements, if any, represents our judgment only under the existing use of the property. A re-evaluation should be made if the improvements are removed, substantially altered, or the land is utilized for another purpose.
19. The Client and all intended users agree to all the following. (A) This appraisal does not serve as a warranty on the physical condition or operability of the property appraised. (B) All users of this report should take all necessary precautions before making any significant financial commitments to or for the subject. (C) Any estimate for repair or alternations is a non-warranted opinion of the Appraiser.
20. Electric, heating, cooling, plumbing, water supply, sewer or septic, mechanical equipment, and other property systems were not tested. No determination was made regarding the operability, capacity, or remaining physical life of any component in, on, or under the real estate appraised. All building components are assumed adequate and in good working order unless stated otherwise. Private water wells and private septic systems are assumed sufficient to comply with federal, state, or local health safety standards. No liability is assumed for the soundness of structural members since structural elements were not tested or studied to determine their structural integrity. The roof cover for all structures is assumed water tight unless otherwise noted. This document is not an inspection, engineering or architectural report. If the client has any concern regarding structural, mechanical, or protective components of the improvements, or the adequacy or quality of sewer, water or other utilities, the client should hire an expert in the appropriate discipline before relying upon this report. No warranties or guarantees of any kind are expressed or implied regarding the current or future physical condition or operability of any property component.
21. Any exhibits in the report are intended to assist the reader in visualizing the subject property and its surroundings. The drawings are not surveys unless specifically identified as such. No responsibility is assumed for cartographic accuracy. Drawings are not intended to be exact in size, scale, or detail.
22. Value opinions involve only real estate, and inconsequential personal property. Unless explicitly stated otherwise, value conclusions do not include personal property, unaffixed equipment, trade fixtures, business-good will, chattel, or franchise items of material worth.

Contingent and Limiting Conditions

- 23.** All information and comments concerning the location, market area, trends, construction quality, construction costs, value loss, physical condition, rents, or any other data for the subject represent estimates and opinions of the Appraiser. Expenses shown in the Income Approach, if used, are only estimates. They are based on past operating history, if available, and are stabilized as generally typical over a reasonable ownership period.
- 24.** No liability is assumed for matters of legal nature that affect the value of the subject property. Unless a clear statement to the contrary is made in this report, value opinion(s) formed herein are predicated upon the following assumptions. (A) The real property is appraised as though, and assumed free from all value impairments including yet not limited to title defects, liens, encumbrances, title claims, boundary discrepancies, encroachments, adverse easements, environmental hazards, pest infestation, leases, and atypical physical deficiencies. (B) All real estate taxes and assessments, of any type, are assumed fully paid. (C) It is assumed ownership of the property appraised is lawful. (D) It is also assumed the subject property is operated under competent and prudent management. (E) The subject property was appraised as though, and assumed free of indebtedness. (F) The subject real estate is assumed fully compliant with all applicable federal, state, and local environmental regulations and laws. (G) The subject is assumed fully compliant with all applicable zoning ordinances, building codes, use regulations, and restrictions of all types. (H) All licenses, consents, permits, or other documentation required by any relevant legislative or governmental authority, private entity, or organization have been obtained, or can be easily be obtained or renewed for a nominal fee.
- 25.** Conversion of the subject's income into a market value opinion is based upon typical financing terms that were readily available from a disinterested, third party lender on this report's effective date. Atypical financing terms and conditions do not influence market value, but may affect investment value.
- 26.** This appraisal was prepared by Nelsen Appraisal Associates, Inc. and consists of trade secrets and commercial or financial information, which is privileged, confidential, and exempt from disclosure under 5 U.S.C. 522 (b) (4).
- 27.** The Appraiser is not required to give testimony or produce documents because of having prepared this report unless arrangements are agreed to in advance. If the Appraiser is subpoenaed pursuant to court order or required to produce documents by judicial command, the client agrees to compensate the Appraiser for his appearance time, preparation time, travel time, and document preparation time at the regular hourly rate then in effect plus expenses and attorney fees. In the event the real property appraised is, or becomes the subject of litigation, a condemnation, or other legal proceeding, it is assumed the Appraiser will be given reasonable advanced notice, and reasonable additional time for court preparation.

Contingent and Limiting Conditions

- 28.** Effective January 26, 1992, the Americans with Disabilities Act (ADA) - a national law, affects all non-residential real estate or the portion of any property, which is non-residential. The Appraiser has not observed the subject property to determine whether the subject conforms to the requirements of the ADA. It is possible a compliance survey, together with a detailed analysis of ADA requirements, could reveal the subject is not fully compliant. If such a determination was made, the subject's value may or may not be adversely affected. Since the Appraiser has no direct evidence, or knowledge pertaining to the subject's compliance or lack of compliance, this appraisal does not consider possible noncompliance or its effect on the subject's value.
- 29.** Nelsen Appraisal Associates, Inc. and the Appraiser have no expertise in the field of insect, termite, or pest infestation. We are not qualified to detect the presence of these or any other unfavorable infestation. The Appraiser has no knowledge of the existence of any infestation on, under, above, or within the subject real estate. No overt evidence of infestation is apparent to the untrained eye. However, we have not specifically inspected or tested the subject property to determine the presence of any infestation. No effort was made to dismantle or probe the structure. No effort was exerted to observe enclosed, encased, or otherwise concealed evidence of infestation. The presence of any infestation would likely diminish the property's value. All value opinions in this communication assume there is no infestation of any type affecting the subject real estate or the Appraiser is not responsible for any infestation or for any expertise required to discover any infestation. Our client is urged to retain an expert in this field, if desired.
- 30.** All opinions are those of the signatory Appraiser based on the information in this report. No responsibility is assumed by the Appraiser for changes in market conditions, or for the inability of the client, or any other party to achieve their desired results based upon the appraised value. Some of the assumptions or projections made herein can vary depending upon evolving events. We realize some assumptions may never occur and unexpected events or circumstances may occur. Therefore, actual results achieved during the projection period may differ from those set forth in this report. Compensation for appraisal services is dependent solely on the delivery of this report, and no other event or occurrence
- 31.** No warranties are made by the Appraiser concerning the property's conformance with any applicable government code or property covenant including but not limited to all laws, ordinances, regulations, agreements, declarations, easements, condominium regulations, restrictions, either recorded or unrecorded. The client is urged to engage the services of a licensed attorney to confirm any legal issue affecting the property appraised. No liability or responsibility is assumed by the Appraiser to determine the cost of replacing or curing any supposedly defective physical component.
- 32.** In the event of an alleged claim due to some defective physical component, the client must notify Nelsen Appraisal Associates, Inc. and allow its representatives and experts to examine and test the alleged defective component before any repairs or modifications are made. If any type of repair or modification is made without the knowledge of the Appraisers, the Appraiser is released from all liability, real or alleged.

Contingent and Limiting Conditions

- 33.** The client and all explicitly identified intended users agree to notify in writing Nelsen Appraisal Associates, Inc., within one year of this report's preparation date, of any claim relating to or arising from this report regardless of any statute of limitations. If Nelsen Appraisal Associates, Inc. does not receive this written notification within the year period defined in the paragraph, then the claimant releases the Appraiser from all claims arising from or related to this report.
- 34.** The client and all explicitly identified intended users acknowledge that any claim relating to this report shall be settled in accordance with the commercial arbitration rules of the American Arbitration Association with the Parties each paying an equal share of all associated costs.
- 35.** Any alleged claim must be filed in the Circuit Court for the County that encompasses most of or all of Urbandale, Iowa 50322 where the Appraiser's business office is located. If a court of law voids any portion of these Contingent and Limiting Conditions, then the remainder remains in full force and effect. The claimant(s) agree not to contest the venue set forth herein and to submit to, and not contest, the exercise of personal jurisdiction over them by the foregoing court. The claimant(s) waive all rights concerning the exercise of personal jurisdiction of them by the foregoing courts and all claims of or concerning forum non-conveniences in the foregoing forum.
- 36.** Superseding all comments to the contrary regardless of the date, this report may not be transferred or assigned without the prior written consent of Nelsen Appraisal Associates, Inc., the copyright holder.
- 37.** No part of this report shall be published or disseminated to the public by advertising media, public relations media, news media, sales media, electronic devices, or other media without the prior written consent of Nelsen Appraisal Associates, Inc.. This restriction applies particularly as to analyses, opinions, and conclusions; the identity of the Appraiser; and any reference to the Appraisal Institute or its MAI, SRPA, or SRA designations. Furthermore, no part of this report may be reproduced or incorporated into any information retrieval system without prior written permission from Nelsen Appraisal Associates, Inc., the copyright holder.



Disclosures

Professional Standards

All leading professional appraisal organizations, the U.S. Congress, all state legislatures, and numerous legal jurisdictions recognize the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Foundation. Revised biennially to keep it contemporary, these standards set forth ethical practices and proper procedures for a competent appraisal. This appraisal fully complies with all relevant portions of the USPAP version in effect on the report date. It also complies with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), a federal law. The report date is shown in the Salient Information.

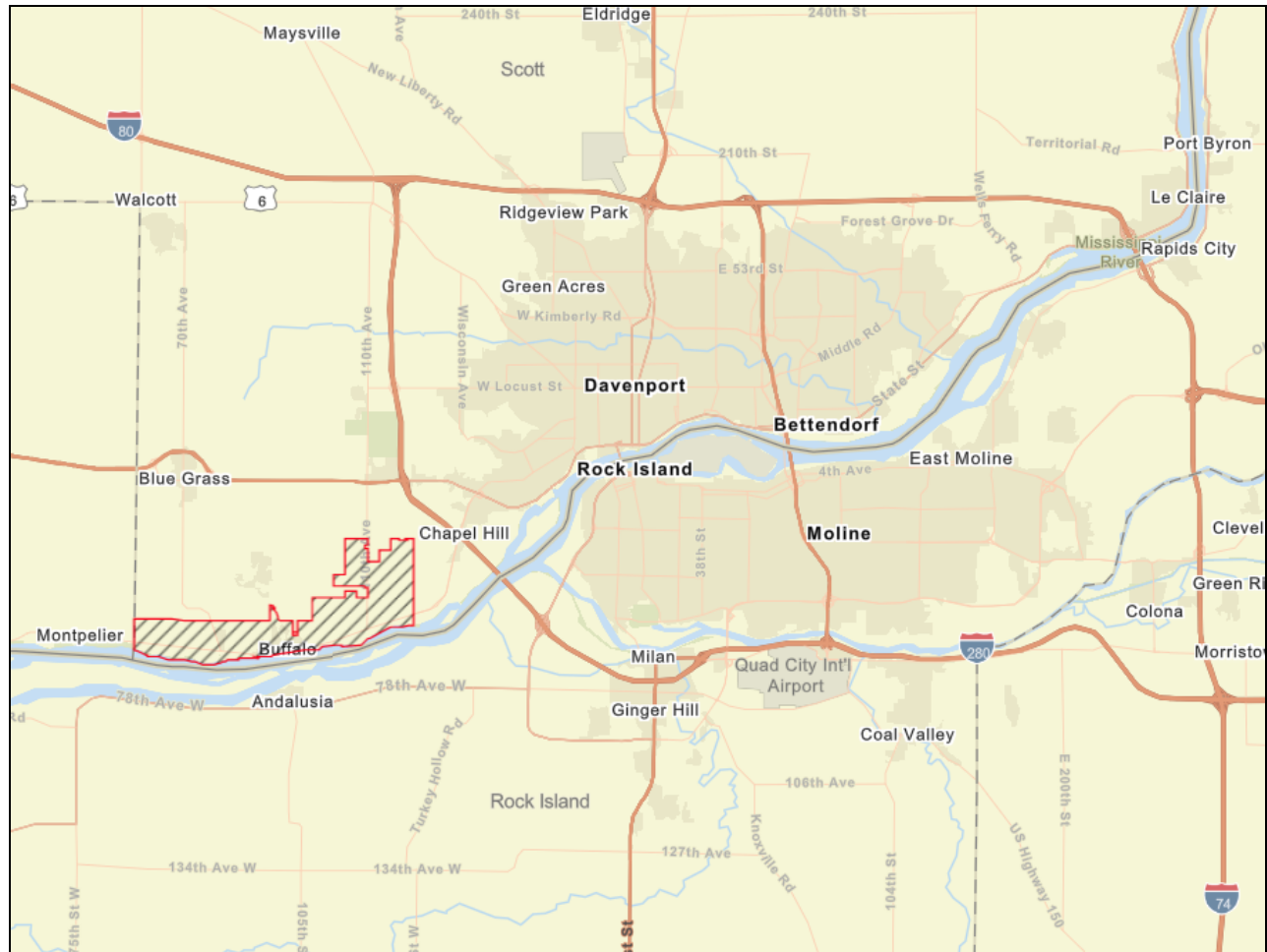
Competency

The persons signing this report are licensed to appraise real property in the state the subject is located. They affirm they have the experience, knowledge, and education to value this type property.

- The appraiser interviewed appraisers who had significant experience with appraising properties similar to the subject property.
- The appraiser reviewed several appraisal reports that were the basis for significant asset acquisitions involving a large wastewater system.
- The appraiser reviewed a substantial body of literature about the economic, regulatory and financial conditions involved in the acquisition of water and wastewater systems by investor-owned utilities.
- The appraiser consulted with an engineer licensed in the State of Iowa with extensive experience in the design of wastewater systems for rural metropolitan areas in Iowa.



Buffalo is a bedroom community located southeast of Davenport and the Quad Cities metropolitan area.



Regional Data - Buffalo

The following chart provides basic demographic and income information about Buffalo, Iowa.



Executive Summary

Buffalo, Iowa
Rings: 1, 3, 5 mile radii

Prepared by Esri
Latitude: 41.45535
Longitude: -90.72335

	1 mile	3 miles	5 miles
Population			
2010 Population	1,345	4,887	10,332
2020 Population	1,333	4,914	10,193
2024 Population	1,309	4,903	10,136
2029 Population	1,293	4,848	10,023
2010-2020 Annual Rate	-0.09%	0.06%	-0.14%
2020-2024 Annual Rate	-0.43%	-0.05%	-0.13%
2024-2029 Annual Rate	-0.25%	-0.23%	-0.22%
2020 Male Population	50.2%	50.5%	50.6%
2020 Female Population	49.8%	49.5%	49.4%
2020 Median Age	45.2	46.9	47.1
2024 Male Population	50.7%	51.0%	51.1%
2024 Female Population	49.3%	49.0%	48.9%
2024 Median Age	45.2	46.7	47.0

In the identified area, the current year population is 10,136. In 2020, the Census count in the area was 10,193. The rate of change since 2020 was -0.13% annually. The five-year projection for the population in the area is 10,023 representing a change of -0.22% annually from 2024 to 2029. Currently, the population is 51.1% male and 48.9% female.

Median Age

The median age in this area is 47.0, compared to U.S. median age of 39.3.

Race and Ethnicity

2024 White Alone	93.1%	93.8%	93.1%
2024 Black Alone	0.5%	0.6%	0.7%
2024 American Indian/Alaska Native Alone	0.2%	0.2%	0.2%
2024 Asian Alone	0.4%	0.4%	0.4%
2024 Pacific Islander Alone	0.0%	0.0%	0.0%
2024 Other Race	0.8%	0.8%	1.0%
2024 Two or More Races	5.0%	4.3%	4.7%
2024 Hispanic Origin (Any Race)	4.1%	3.9%	3.7%

Persons of Hispanic origin represent 3.7% of the population in the identified area compared to 19.6% of the U.S. population. Persons of Hispanic Origin may be of any race. The Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, is 19.4 in the identified area, compared to 72.5 for the U.S. as a whole.

Households

2024 Wealth Index	99	115	109
2010 Households	515	1,883	4,074
2020 Households	527	1,965	4,141
2024 Households	519	1,988	4,155
2029 Households	520	2,005	4,177
2010-2020 Annual Rate	0.23%	0.43%	0.16%
2020-2024 Annual Rate	-0.36%	0.27%	0.08%
2024-2029 Annual Rate	0.04%	0.17%	0.11%
2024 Average Household Size	2.52	2.46	2.44

The household count in this area has changed from 4,141 in 2020 to 4,155 in the current year, a change of 0.08% annually. The five-year projection of households is 4,177, a change of 0.11% annually from the current year total. Average household size is currently 2.44, compared to 2.46 in the year 2020. The number of families in the current year is 3,071 in the specified area.

Data Note: Income is expressed in current dollars. Housing Affordability Index and Percent of Income for Mortgage calculations are only available for areas with 50 or more owner-occupied housing units. The Gini index measures the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

Source: U.S. Census Bureau. Esri forecasts for 2024 and 2029. Esri converted Census 2010 into 2020 geography and Census 2020 data.

Regional Data – Buffalo

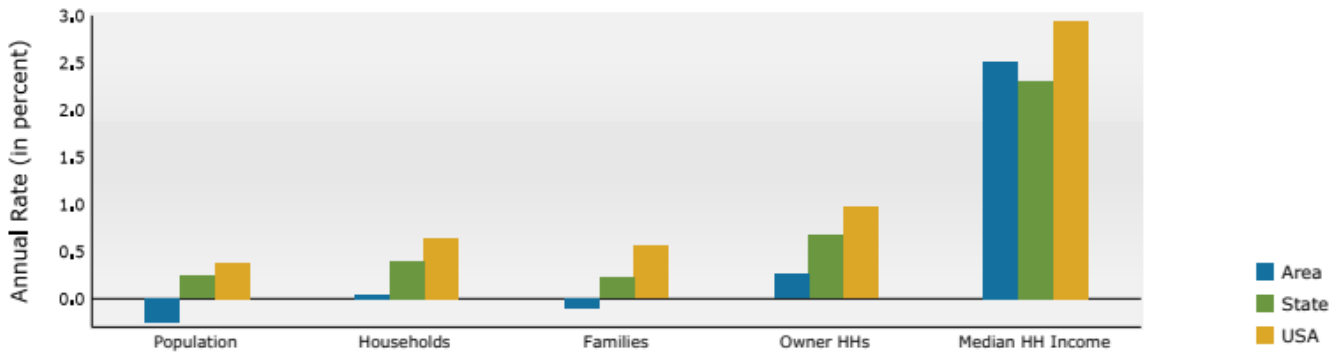


Demographic and Income Profile

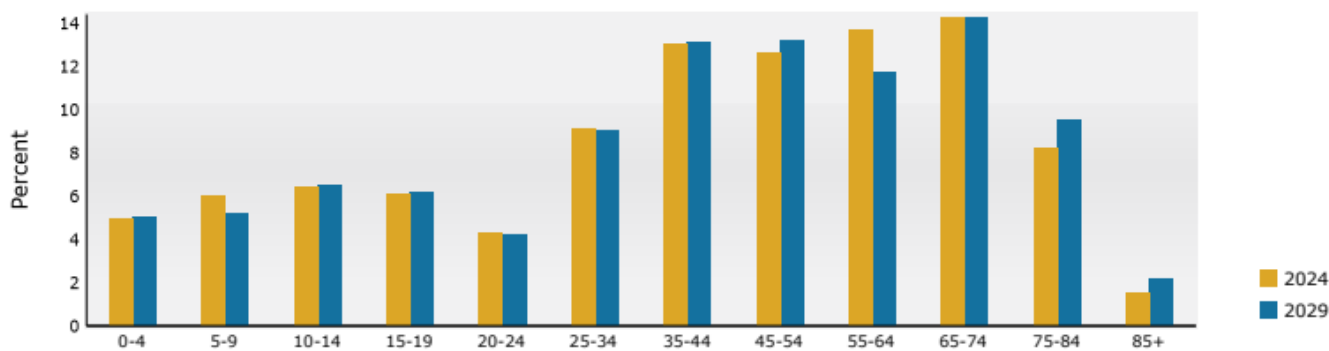
Buffalo, Iowa
Ring: 1 mile radius

Prepared by Esr
Latitude: 41.45535
Longitude: -90.72335

Trends 2024-2029

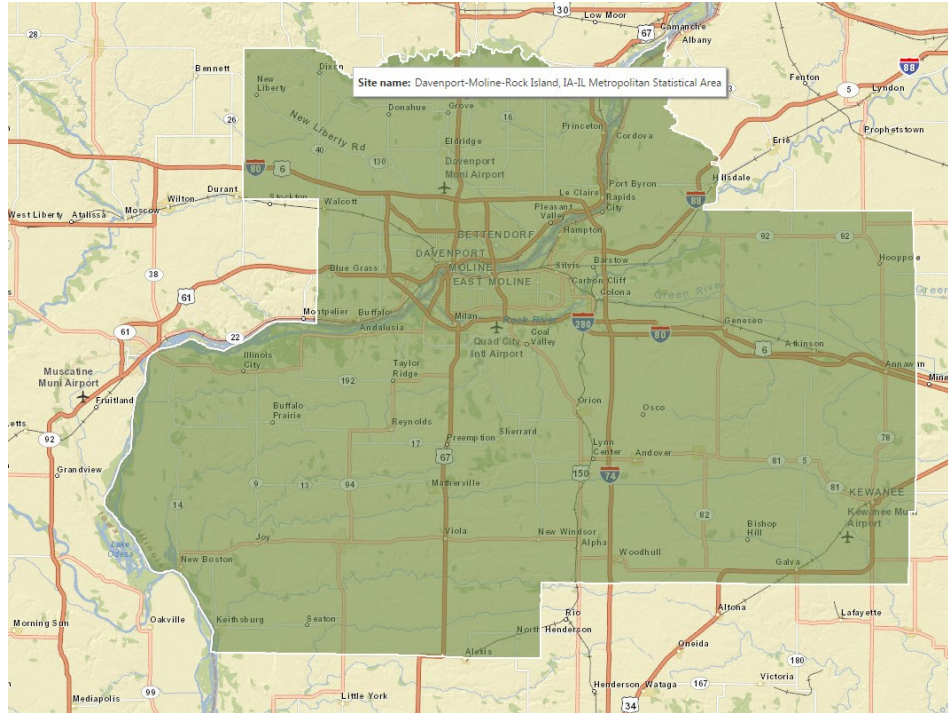


Population by Age



Regional Data – Quad Cities

Davenport is part of the Quad Cities Core Based Statistical Area (CBSA) which also includes Bettendorf, Moline, and Rock Island. The Quad Cities CBSA is located in east central Iowa. Moline and Rock Island are in Illinois across the Mississippi River from Davenport and Bettendorf. Many statistics are also reported for the Davenport-Moline-Rock Island MSA. Both statistical entities help provide a comprehensive picture of the role that Davenport plays in the larger economic and social community commonly referred to as the “Quad Cities”.



Population

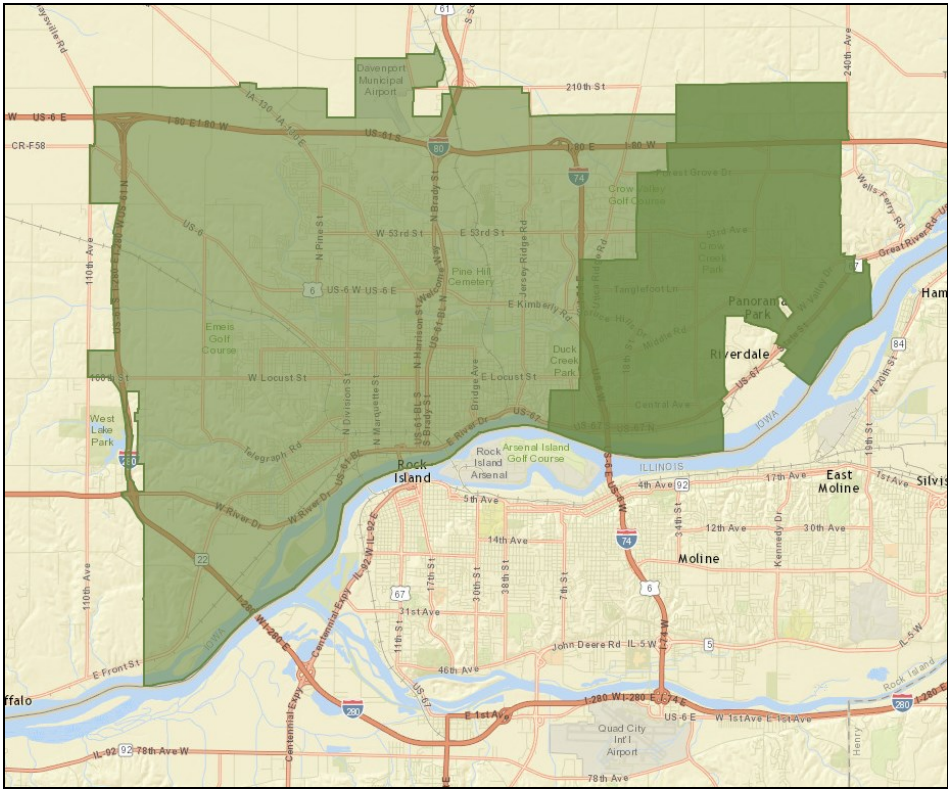
The CBSA had a population of 379,690 as of the 2010 U.S. Census. The CCIM Institute sponsored *Site To Do Business*, using ESRI information, estimates the current population is 380,505 and expected to decline to 379,293 in 2026. The CBSA population trends are summarized in the following table.

Davenport is located in Scott County – the largest county in the Quad Cities.

Quad Cities CBSA Population			
	2010	2021	2026 [E]
Scott County	165,762	172,083	176,233
Rock Island County	147,645	143,542	139,680
Henry County	50,434	49,225	48,351
Mercer County	16,434	15,622	15,029
Quad Cities CBSA	379,690	380,505	379,293
Compound Annual Growth Rate since 2010		0.02%	-0.06%
US Census Bureau, ESRI demographics			

Regional Data

Most of the growth in the CBSA appears to have occurred in Scott County. The following map shows the combined area of Davenport and Bettendorf – the largest cities in Scott County, Iowa.



Population growth 2010 to 2026 [E] in Davenport and Bettendorf is shown below:

Davenport & Bettendorf Population			
County	2010	2021	2026 [E]
Davenport	99,689	101,952	103,735
Compound Annual Growth Rate		0.20%	0.35%
Bettendorf	33,217	35,803	37,046
Compound Annual Growth Rate		0.68%	0.68%
US Census Bureau, ESRI demographics			

Population growth is an important determinant of demand for real estate development. Positive growth generally indicates that more development will be needed in the future.

Regional Data

Households

Household growth and forecasted growth rates to 2022 - along with State and National growth rates – are shown below:

Davenport & Bettendorf Household			
County	2010	2021	2026 [E]
Davenport	40,621	42,006	42,919
Compound Annual Growth Rate		0.31%	0.43%
Bettendorf	13,681	14,872	15,413
Compound Annual Growth Rate		0.76%	0.72%
US Census Bureau, ESRI demographics			

Household formations are an important factor in determining demand for housing construction.

Employment

The Quad Cities CBSA labor force, employment and unemployment figures from 2011 to 2017 are shown below:

Quad Cities CBSA Labor Force Statistics - Average Annual											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 [August]
Labor Force	199,181	197,679	195,964	195,426	194,095	193,141	191,098	192,896	194,578	186,930	183,678
Employment	184,419	183,968	182,318	183,364	183,325	182,658	182,618	184,863	186,630	172,116	175,365
Unemployed	14,762	13,711	13,646	12,062	10,770	10,483	8,480	8,033	7,948	14,814	9,569
Unemployment Rate	7.4%	6.9%	7.0%	6.2%	5.5%	5.4%	4.4%	4.2%	4.1%	7.9%	5.2%
Source: Bureau of Labor Statistics											

The statistics show a continuing shrinkage of the total labor force from 2011 to 2019 indicating a weak local economy. This is consistent with the relative slow growth of employment from 2011 to 2019 with levels remaining below the 2011 level during the period from 2012 to 2017.

Regional Data

Major Employers in the area are listed below by the Quad Cities Chamber:

Business	Employees	Industry
John Deere	6,400	Agricultural, Construction & Forestry Manufacturing
Rock Island Arsenal	6,300	Defense Manufacturing
UnityPoint Health - Trinity	6,100	Healthcare
Genesis Health System	4,700	Healthcare
Hy-Vee	4,200	Retail Grocery
Walmart	3,600	Warehouse Clubs and Supercenters
HNI Corp./The HON Company/Allsteel	3,200	Office Furniture Manufacturing
Tyson Fresh Meats	2,400	Food Manufacturing
Arconic	2,000	Aerospace and Defense Aluminum Manufacturing
Kraft Heinz	1,200	Food Manufacturing
Tri-City Electric Co.	1,200	Electrical Contractor

Regional Data

Income Profile

The chart below shows personal income for the Davenport-Moline-Rock Island, IA-IL (MSA) from US Census Bureau with ESRI forecasts to 2026. The data is summarized in the following table.

2021 Median household income is about \$60,192 and is forecasted to climb to \$65,705 by 2026.

Davenport-Moline-Rock Island, IA-IL Metropolitan Statistical Area (19340) Geography: CBSA		
2021 Households by Income	Davenport-Mol...	
	Number	Percent
<\$15,000	16,783	10.7%
\$15,000 - \$24,999	13,861	8.8%
\$25,000 - \$34,999	12,675	8.1%
\$35,000 - \$49,999	20,452	13.0%
\$50,000 - \$74,999	29,580	18.8%
\$75,000 - \$99,999	20,342	12.9%
\$100,000 - \$149,999	27,592	17.5%
\$150,000 - \$199,999	8,137	5.2%
\$200,000+	7,981	5.1%
Median Household Income	\$60,192	
Average Household Income	\$80,111	
Per Capita Income	\$33,194	

Household income is a useful tool in retail sales analysis as well as debt capacity for residential properties both residential and commercial.

Residential Development

The following tables display characteristics of housing units in the Quad Cities CBSA. Median 2021 home values were about \$161,750 forecasted to increase to \$199,907 by 2026. Home values in excess of \$200,000 were owned by about 36.6% of the total population.

Owner Occupied Housing Units by Value	2021		2026	
	Number	Percent	Number	Percent
Total	108,616	100.0%	110,456	100.0%
<\$50,000	6,558	6.0%	4,478	4.1%
\$50,000-\$99,999	19,165	17.6%	13,229	12.0%
\$100,000-\$149,999	24,096	22.2%	19,201	17.4%
\$150,000-\$199,999	19,102	17.6%	18,354	16.6%
\$200,000-\$249,999	10,820	10.0%	13,137	11.9%
\$250,000-\$299,999	8,502	7.8%	11,895	10.8%
\$300,000-\$399,999	11,509	10.6%	16,913	15.3%
\$400,000-\$499,999	4,390	4.0%	6,679	6.0%
\$500,000-\$749,999	2,893	2.7%	4,408	4.0%
\$750,000-\$999,999	946	0.9%	1,371	1.2%
\$1,000,000-\$1,499,999	471	0.4%	587	0.5%
\$1,500,000-\$1,999,999	56	0.1%	54	0.0%
\$2,000,000+	108	0.1%	150	0.1%
Median Value	\$161,750		\$199,907	
Average Value	\$205,292		\$244,338	

Regional Data

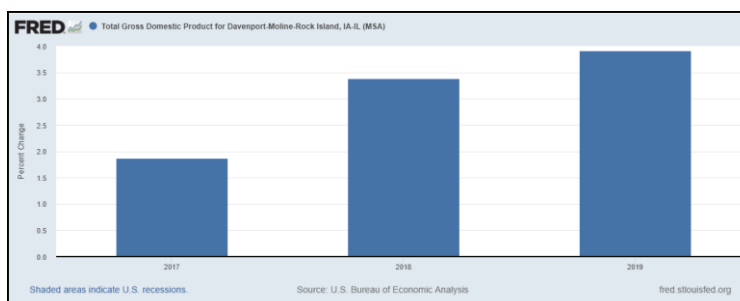
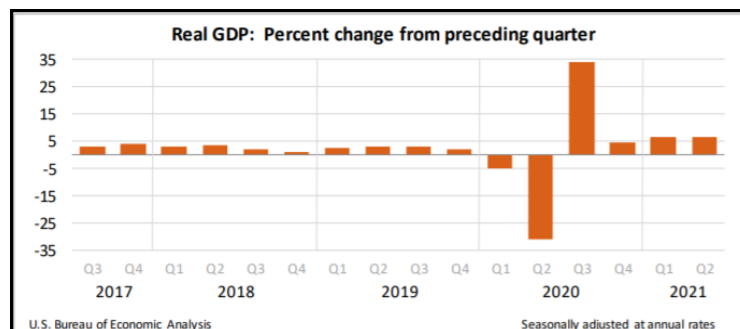
Retail Sales – Scott County

The Iowa Department of Revenue reports taxable sales by County and Municipality. The key retail indicators for Scott County and cities reporting sales for FY 2019 shows the importance of Davenport as a retail center accounting for about 80% of the county-wide sales total.

Area Name	Population	Average # Filers	Sales \$millions
Scott Total	172,873	3,937	2,712.5
Bettendorf	36,438	791	358.7
Blue Grass	1,665	90	12.6
Buffalo	1,274	20	5.3
Davenport	101,754	2,427	2,152.2
Dixon	250	16	0.4
Donahue	367	20	1.7
Eldridge	6,816	217	61.8
Le Claire	3,963	132	24.0
Long Grove	869	43	3.1
McCausland	312	18	1.6
Princeton	946	27	2.8
Walcott	1,635	80	65.2

Gross Domestic Product

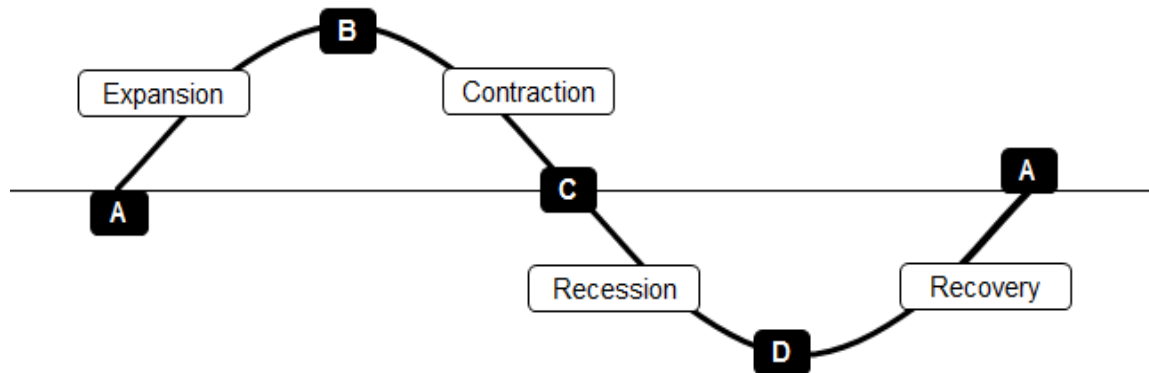
Gross Domestic Product measures the value of the total production of goods and services within a geographic area. National GDP figures are available to Second Quarter, 2021 and indicate a pronounced uptick beginning in late 2020 recovering from the 1st and 2nd Quarter declines which were sizeable by historical standards. At the national level annual increases were less than 5% and less than 3.5% in the Quad Cities from 2017 to 2019.



Summary

Real estate generally has four market cycles. "Understanding where the market is and forecasting the extent of duration of the cycle are important in projecting the pattern of future income."¹

These cycles are depicted below.



The Quad Cities area economy continues in the Recovery stage with many indicators not equaling pre-Covid levels.

¹ *Advanced Concepts & Case Studies*, pg 253, Appraisal Institute, copyright 2010

Identification of the Property

The real estate appraised includes a series of parcels of land together with equipment and buildings and dominant easement rights to the water and wastewater sewer systems of Buffalo, Iowa. These tracts of land are identified below.

City of Buffalo - Land and Improvements - Water & Wasterwater Systems						
ID	Land		Improvements			
Parcel #	Acres	SF	Size	Height	Type	Year Built
722201201	0.73	31,799	250,000 gallons	120 Feet	Water Tower	1997
722239001	0.46	20,038	1,026 SF	1-story	Water Treatment Plant	1982
7221230061	0.65	28,314	1,416 SF	1-story	Water Treatment	1950;1997
Total Land	1.84	80,150				

Legal Description

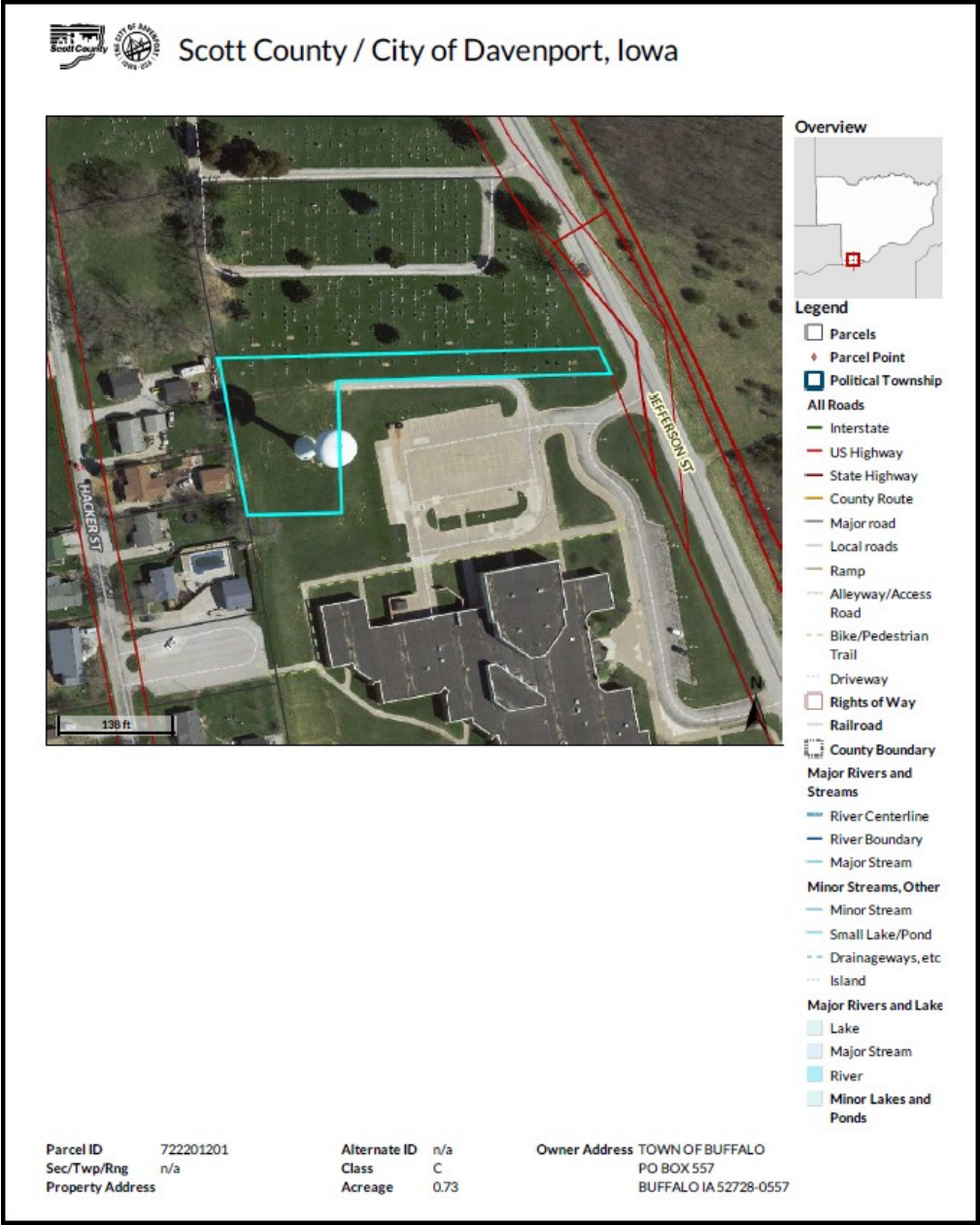
A professional surveyor and / or legal counsel should verify the following legal description before relying upon, or using it as part of any conveyance, or any other document. The legal descriptions for the subject property correspond to those identified with the tax parcel as per the Scott County Assessment records:

Parcel Number 7221230061 is legally described as Sec:21 Twp:77 Rng:2SEC 21-77-2 PT SE NECOM 1362' E & 20' NSW COR SW NE-E 50' TOBEG: E 145'-N 160'-W 145'-S 160' EX 2700 SQ FT TRI TRACT PER QCD 08-5481 .047AC. This represents the water treatment plant.

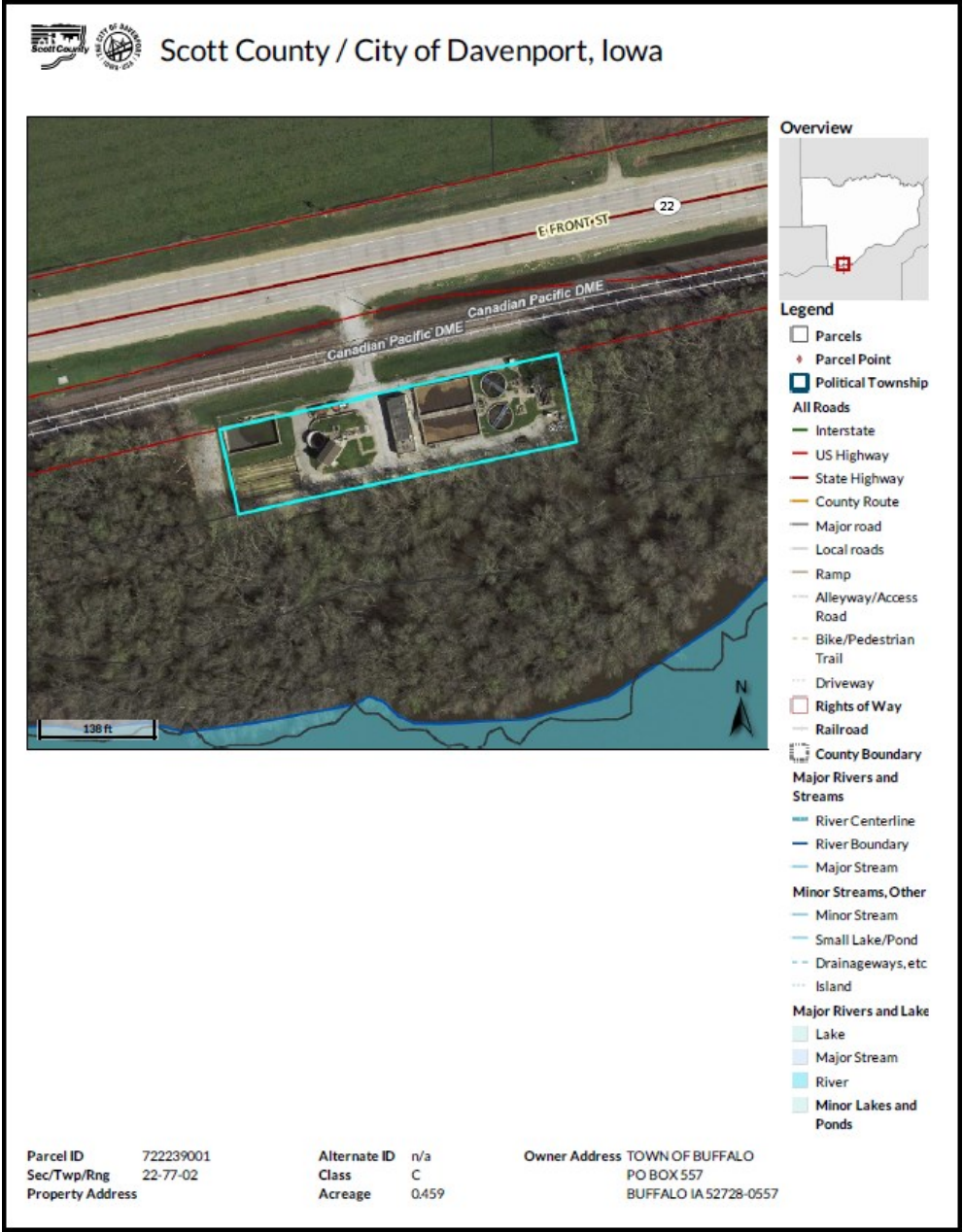
Parcel Number 722201201 is legally described as BUFFALO SCHOOL SUBD Lot: 001 BUFFALO SCHOOL SUBDLOT 1. This parcel represents the water tower site.

Parcel Number 722239001 is legally described as Sec:22 Twp:77 Rng:02PT NE SE PT LOT 9 DODGE ESTATE TRACT100' X 200' ADJ TORR DEPOT GROUNDS & SEWAGE DISPOSAL PLANT. This parcel represents the wastewater treatment plant site.

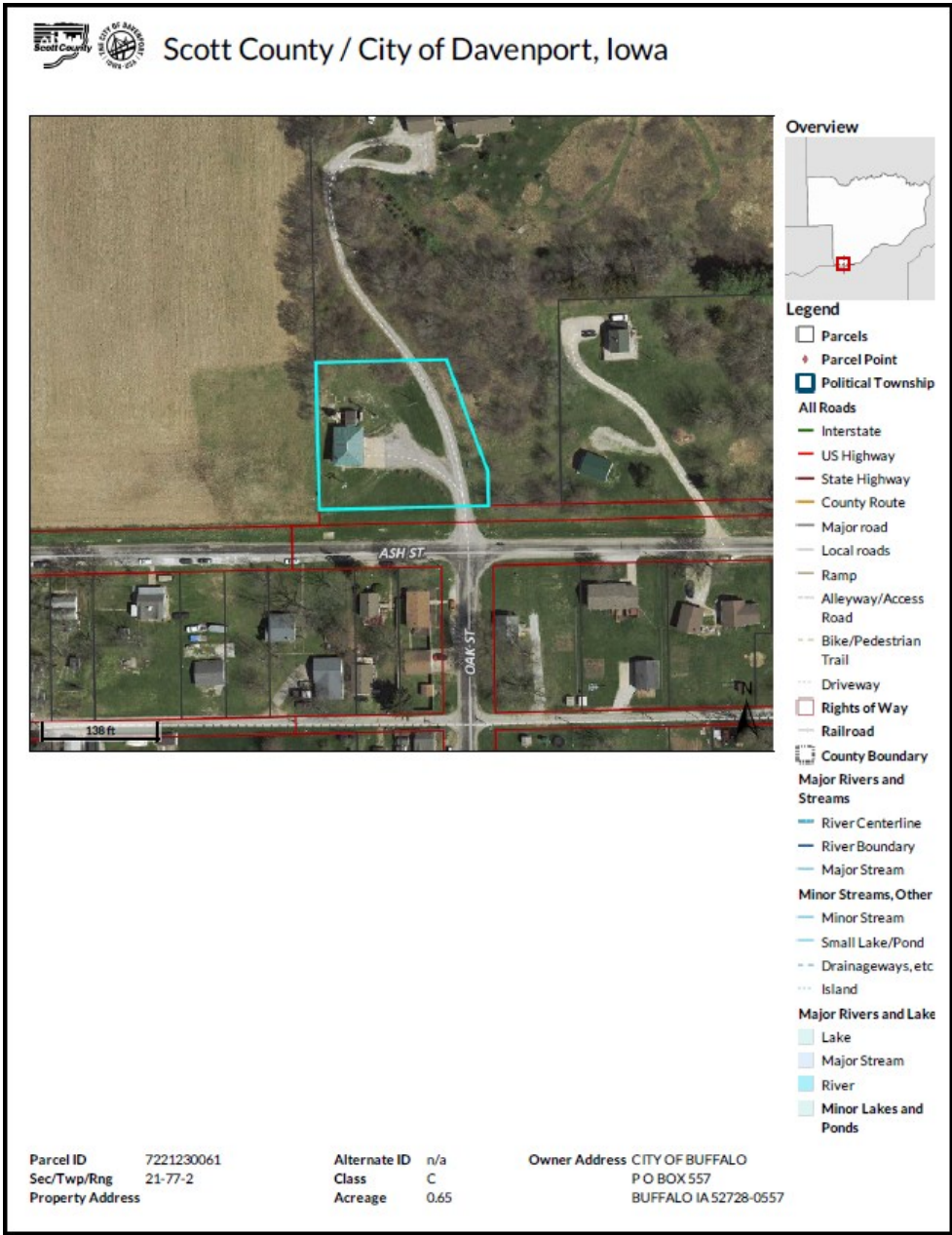
Plat Map – Parcel 722201201



Plat Map – Parcel 722239001



Plat Map – Parcel 7221230061



Sale History

On-line public records and / or a private data-reporting service were used to search for prior sales of the subject real estate. This research discovered no recorded conveyance of the subject during the three-years preceding this report's effective value date. Our client indicated the property did not convey. Moreover, the subject was not offered "For Sale" in the local MLS or other major data-reporting services during this same period. No sale or option agreements are now pending.

There is no outstanding contract to purchase the subject property. Iowa American representatives indicated that an asset acquisition agreement would follow appraisal reports yet to be completed.

Subject's Current Ownership	
<i>Owner</i>	<i>Information Source</i>
Town of Buffalo	Scott County Assessor records

Environmental Risks

Disclosure

During the course of this appraisal, the appraiser(s) did **not** detect or attempt to discover any environmental hazard on, under, above, or within the subject real estate. No overt evidence of any environmental hazard is apparent to the untrained eye. It should be known the appraiser(s) did not view the subject property with the intent of detecting any environmental hazard. It is beyond the expertise of the appraiser(s) to detect or determine the chemical nature of any substance or gas. No effort was made to dismantle or probe any part of the property to discover enclosed, encased, or concealed hazards. No effort was exerted to ascertain the presence of any environmental hazard including but not limited to the following.

Asbestos

Urea-formaldehyde insulation

Underground storage tanks

Soil contamination or deficiencies

Lead-based paint

Toxic mold

Radon

PCB

Chemical spills

Fire resistant treated plywood (FRTD)

Flood hazards are detailed elsewhere in this report. Except as enumerated herein, the appraiser(s) were not given the results of any environmental testing on or near the property being appraised. Neither observation of the subject property, or research conducted as part of a typical real estate appraisal suggest the presence of any hazardous substance or detrimental environmental condition affecting the subject. Nearby sites were not investigated to determine whether they are contaminated. Public information and other Internet sources were not researched to determine the presence of hazardous substances or detrimental environmental conditions in the subject's vicinity.

Federal, State, and local laws concerning any hazardous substance or gas are sometimes contradictory. Therefore, any needed clean up should comply with the most stringent laws. The appraiser(s) are **not** informed or trained in environmental legalities. It is assumed no hazardous substance or gas adversely affects the subject real estate. If the subject is adversely influenced by a hazardous condition, then the subject's market value would be impaired.

Recommendation

The presence of any hazardous condition usually diminishes market value. The value opinion formed in this report assumes there is no environmental hazard affecting the subject real estate. No responsibility is assumed by the appraiser(s) or Nelsen Appraisal Associates, Inc. for any hazard, or for any expertise required to discover any environmentally hazardous condition. Our client is urged to retain an expert in this field, if desired.

Subject Site																								
Dimensions	Per parcel drawings																							
Size	<table><tr><th>Site</th><th>Parcel</th><th>Square Feet</th><th>Acres</th></tr><tr><td>1</td><td>722201201</td><td>31,799</td><td>0.73</td></tr><tr><td>2</td><td>722239001</td><td>20,038</td><td>0.46</td></tr><tr><td>3</td><td>7221230061</td><td>28,314</td><td>0.65</td></tr><tr><td></td><td></td><td>Total</td><td>1.84</td></tr></table>				Site	Parcel	Square Feet	Acres	1	722201201	31,799	0.73	2	722239001	20,038	0.46	3	7221230061	28,314	0.65			Total	1.84
	Site	Parcel	Square Feet	Acres																				
	1	722201201	31,799	0.73																				
	2	722239001	20,038	0.46																				
	3	7221230061	28,314	0.65																				
		Total	1.84																					
Easements	None know, known assumed ; except those necessary for service of public utilities for water and wastewater use																							
Encroachments	None known; none assumed																							
Shape	Varies with parcel; see parcel drawings																							
Topography	Generally level																							
Curbs & Gutters	Not applicable																							
Water & Sanitation	City of Buffalo																							
Access	Via public streets and drives																							
Site 1	Site 1 is located on north of Buffalo Elementary along Jefferson Street. Site 1 is the location of the City Water Tower 																							

Subject Site

Site 2

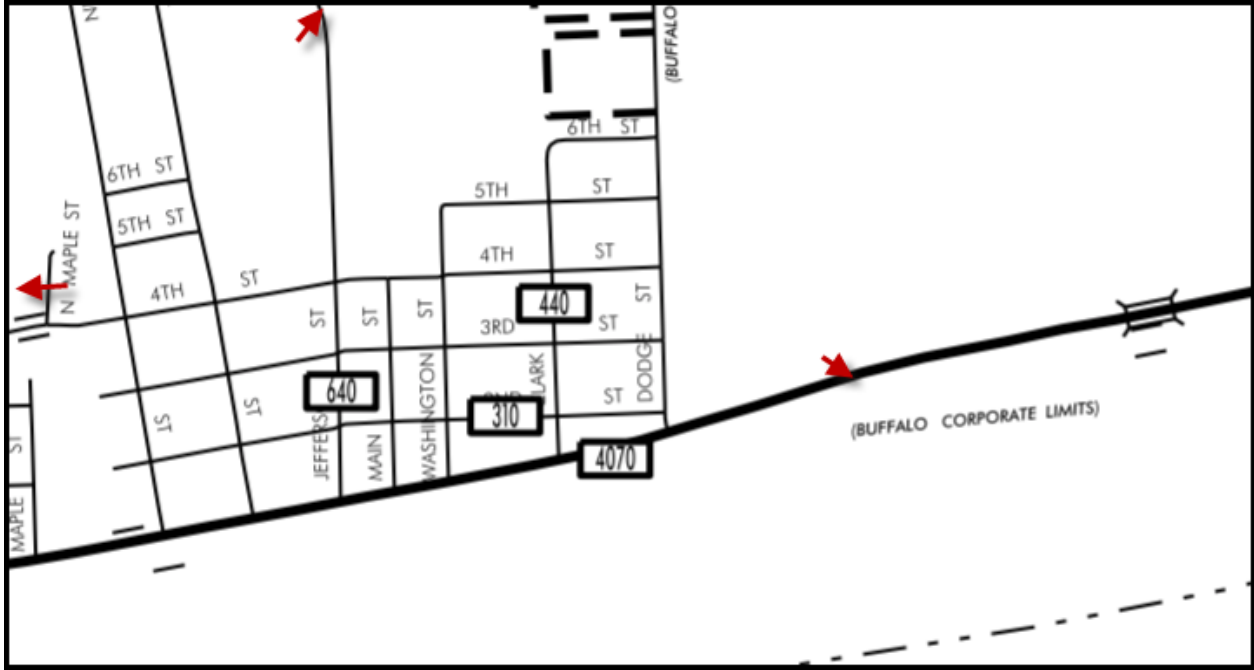
Site 2 is located on south frontage of East Front Street [Hwy 22] west of Continental Cement site. Wastewater Treatment



Site 3

Site 3 is located north of Ash Street via a drive shared with Swanson residence at 1050 Ash Street Water Treatment



Subject Site	
<i>Demographics 2024</i>	City of Buffalo – provided by ESRI, 2024 and 2024-2029 forecasts.
<i>Households</i>	535
<i>Median Household Income</i>	\$83,048
<i>Household Growth Rate 2025-2029</i>	Flat
<i>Traffic Counts</i>	City of Buffalo, IDOT, Front Street 4,070 automobiles daily[[E/W]; Jefferson Street 640 automobiles daily[N/S] – red arrows mark the direction of the location of the subject sites. 
<i>Overall Features</i>	A collection of land parcels that are current used for the water and wastewater systems of Buffalo. Sites differ in their access, visibility and frontage along highway and secondary streets.

Subject Wastewater Improvements and Equipment

The following inventory is based on the list of improvements of and equipment for the assets of the waste water system:

- 18,186 LF of 8-inch Concrete Gravity force sewer pipe installed in 1960
- 8,139 LF of 8-inch Concrete Gravity force sewer pipe installed in 1981
- 5,916 LF of 10-inch Concrete Gravity force sewer pipe installed in 1960
- 441 LF of 8-inch Ductile Iron Force Main sewer pipe installed in 1981
- 2,062 LF of 10-inch Ductile Iron Force Main sewer pipe installed in 1960
- 81 manholes installed in 1960; 32 manholes installed in 1981
- East Lift station installed in 1981
- West Lift station, installed in 1960 with 1983 update
- Treatment plant installed in 1983
- Water tower repainted May 2024 (\$359,850)
- Fire hydrants replace (8) 2024 (\$139,740)
- Well #1 re-lined 2024 (\$83,405)

Sewer lining replacements have been provided by the City over the course of its routine maintenance. City records indicated the total amount of these improvements are \$186,000.

Building Improvements	
<i>Site 1</i>	None
<i>Site 2</i>	1,026 SF Industrial building; split face concrete block; 1-story, Constructed in 1982 with no basement. Electric HVAC, Roof is tar and gravel over wood deck. Interior finished area is about 308 SF. The property has 3,600 SF of asphalt paving added in 1982 Fencing; 780 lineal feet with gates built in 1982
<i>Site 3</i>	1,200 SF Industrial building, split face concrete blocks, 1-story, Constructed in 1997 with no basement. Forced hot air; Roof is metal; 100 SF office space with heat only 216 SF Industrial building, concrete blocks, 1-story; constructed in 1950 with no basement. Forced hot air; Roof is 3-ply composition shingle on wood deck The property has about 2,340 SF concrete and asphalt paving

Subject Water System Improvements and Equipment

The elements of a municipal Water system consist of source, raw water treatment and quality, and distribution.

The basic elements of the City of Buffalo Water system are summarized below based on information provided by the Iowa Department of Natural Resources Public Water Supply Sanitary Survey [PWSID#:8218050] dated March 31, 2021. A copy of this report is included in the Addenda.

- Source: Well #1 (1958) [405 feet depth] and an emergency back up Well #2 (1975) [480 feet depth]
- Raw Water Treatment and Quality: Aeration via oxidation of Iron; Detention; Pre-chlorination via oxidation of Iron; Iron filtration and Post-Chlorination for disinfection purposes.
- Distribution: The system has 450 service connections and serves an estimated population of 1,270. Pressure and storage provided by Clearwell [10,000 gallon] and an elevated storage tower [250,000 gallon]. The treatment plants contain 2 high service pumps of 240 gpm for a total capacity of 480 gpm.

These numbers are revised on the basis of the City of Buffalo's records showing that the number of Water Connections is 426 and the number of Waste Water Connections is 412. A copy of a letter from the City of Buffalo via their attorney is provided in the addenda.

Real Estate Taxes

Subject property is owned by City of Buffalo and is classified as exempt from Real Estate Property assessment by Scott County.

<i>County</i>	Scott
	722201201
<i>Parcel ID #</i>	722141002
	7221230061
<i>Total Assessed Value</i>	\$0.00
<i>Total Tax Dollars</i>	\$0.00



Analyses & Conclusions

Market and Marketability

Market analysis is a process for examining the demand for and supply of a property type and the geographic market area for that property type. Marketability analysis is a process for examining the productive attributes of a specific property, its demand and supply, and its geographic market area.

The purpose of Market and Marketability Analysis is to:

- **Develop and analyze the competitive attributes of the subject property**
- **Identify key factors of value in the property's market area**
- **Develop a perspective on the economic environment that affects the property**
- **Determine the level of market support for the existing and/or alternative uses of the property**
- **Provide the data to identify the Highest and Best Use of the subject property**

These conclusions provide a basis for estimating the market price or rent that the property can capture as well as the competitive attributes of the space. This information also provides a basis for conclusions about the phasing (creating all up front or staggering over time), marketing (to whom and how), and timing (time to develop, market, and complete) of a proposed project.

Current Use of the Property: Municipal wastewater system for Buffalo, Iowa.

The property consists of land and improvements specifically designed, built and installed for use as the wastewater system in Buffalo, Iowa.

The City of Buffalo is considering a purchase contract involving the sale of the subject property to an Investor-Owned utility. State of Iowa statutes [pursuant to House Bill 530] provides for the Iowa Utilities Board's approval of acquisition of a water, sanitary sewer or stormwater system by a public utility. The law stipulates that the ratemaking principle may be based on the fair market value of the acquired assets as determined by an appraisal.

Fragmented Industry

According to an Ernst & Young review of the global water industry, the EPA estimates that there are more than 50,000 community water systems and 200,000 community wastewater systems in the US. Smaller communities often lack access to the financial resources and human talent required to manage ongoing wastewater, fund improvements to the system in the light of ever more complex regulatory requirements. One solution to this problem has been encouraging consolidation in the provision of these services by encouraging investor-owned utilities to acquire municipal systems.

Market and Marketability

A series of states have passed laws that provide for the acquisition of municipal systems on the basis of fair market value rather than the traditional value standard of net book value. These states include California, Illinois, Indiana, Missouri, New Jersey, and Pennsylvania. These laws allow the acquiring utility to include the acquisition costs at market to be included in the rate making calculations for the entire utility under the single tariff rule. Thus, the relatively heavy costs of infra-structure improvements can be financially spread across a much larger customer base limiting the impact on the individual customer.

The investor-owned utility is considered capable of drawing on a larger base of financial resources, at a relatively low cost, and has generally has a history of experience with managing and operating a wide range of water and wastewater facilities.

Summary and Conclusion

The Cost approach is applicable to the valuation of the subject property on the basis of the depreciate replacement cost new of the subject improvements including both the land – as if vacant – and the subject improvements as inventoried in this report.

The Sales Comparison approach is also applicable as a number of sales in a variety of states – often under differing regulatory environments – have occurred. These transactions provide the basis for estimating the value of the subject property by comparison with key indicators in these sales.

The Income approach is of limited use due to the typical State requirement that they are approved by Utility regulators and that the ensuing rates are often based on an approved acquisition price that may or may not be based on fair market value. Thus, revenues are not based on competitive market transactions where one provider offers wastewater resources in competition with an alternative provider. This limits the utility of this approach in estimating value and it is not used in this report.

Highest and Best Use

Introduction

A highest and best use identifies the most reasonably probable and appropriately supported use of the property appraised. Since market conditions change, a property's highest and best use may change as well. This analysis is an essential step in the determination of market value. Market dynamics determines a property's use and an appraisal values that use. Practically speaking, a highest and best use analysis forms a framework for the proper selection of comparable sales.

There are two types of highest and best use. The first is highest and best use of land as though vacant. If a building already exists, the second variety is highest and best use as though now improved. The later considers whether the existing building should be retained as is, demolished, remodeled, renovated, repaired, enlarged, or converted to an alternate use. Both types require separate analyses. Current usage may or may not be different from the near future highest and best use.

There are four main tests in a highest and best use analysis, which are summarized below.

- Legal permissibility - governmental requirements and limitations like zoning are considered as well as other legal issues like deed restrictions, easements, and leases.
- Physical attributes like size, design, and physical condition are weighed
- Financial feasibility is ascertained via either an implied or calculated method
- Maximum productivity is determined

If more than one use survives the first three tests, the use that produces the highest, appropriately supported, positive value with the least risk is the highest and best use.

Demand analyses can be categorized into two different levels of detail - Inferred and Fundamental. A fundamental analysis forecasts future demand from projections of broad demographic and economic data like population, income, and employment. Existing supply is inventoried. Then, the relationship of supply and demand is weighed to determine residual demand. If residual demand is positive, more of that property type is needed. Of course, the opposite is also true.

An inferred analysis is based on local trends and patterns from which inferences are made. This type analysis presumes that recent past trends will continue for the near future. Sale prices, number of competitive listings, marketing intervals, and / or price changes for other similar properties infer there is adequate demand for the subject at a price level congruous with the available data. An inferred analysis emphasizes historical data while a fundamental analysis is based on expected future occurrences.

Highest and Best Use

Buyer Types

The most likely buyer type is crucial to highest and best use. Different buyer types have different motivations and different perceptions of risk. The buyer type must be identified to better understand applicable approaches and the selection of cap rates and yield rates. Different buyer types are defined below.

- | | | |
|---|------------------------|--|
| 1 | Owner-User | Acquires real estate mostly for its use or control. Vacancy & investment yield are not primary criteria. Property suitability is the major objective. Typically, a medium to long-term owner. |
| 2 | Secure Income Investor | Seeks an established, secure income stream; normally does not change the property in any meaningful way. Usually favors a long-term ownership. |
| 3 | Developer | Acquires real estate to physically or legally change it in some significant fashion; accepts substantial risk so expects major reward over a short-to-medium holding period. |
| 4 | Speculator | Buys real estate solely as an investment with most of the reward at termination. Property use is not a primary consideration; medium-to-long-term holding period; Usually buys during very weak market conditions, so accepts huge risk. Mantra: buy low, sell high. |
| 5 | Value Growth Investor | Buys real estate mostly for price appreciation. Property use is usually not a major consideration. Typically buys during conditions of rapidly increasing prices; prefers a short-to-medium ownership period. |

This appraisal's highest and best use was based, in part, on an inferred demand analysis.

Following below are summary considerations used to form a conclusion for the highest and best use of the land as vacant and as improved by a wastewater system:

- Land use regulations permit current use or related accessory uses.
- Nearby lands are compatibly used. There are no known deed restrictions, leases, or other legal issues, which preclude or delay the highest and best use.
- Physical attributes of the property appraised are well suited to serve the use identified below.

Highest and Best Use

Timing of Use

A crucial component of a highest and best use is timing. If the timing of a use is not now, when is it? When timing for a specific use cannot be identified, then that use is not the best. If the highest use is not within a decade, then the time-value of money usually precludes that use.

Most Likely User

The most likely user is also important. Clearly, users of an age-restricted, multiunit residential structure have needs and preferences that are much different from young married couples with small children. Similarly, the most likely buyer of a handicap accessible home is a handicap person.

Highest & Best As Though Now Vacant Land

Physical Use	Water and Wastewater system and/or other industrial or commercial.
Timing of Physical Use	Develop pending demand
Interim Use	Agricultural
Market Participants	
Most Likely Buyer	Public or private user
Most Likely User	Wastewater of industrial or commercial use

Highest & Best As Though Now Improved

Physical Use	Its current use
Timing of Physical Use	Immediate
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	Investor owner wastewater utility
Most Likely User	Investor owner wastewater utility

Considering the foregoing highest and best use determinations, comparable land and improved wastewater system sales were selected with the same or similar highest and best use. This data is very influential while forming a value opinion for the property appraised.

Land Value

Introduction

The best method of valuing vacant land is the sales comparison approach. Sales of similar sites are gathered and compared to the parcel being appraised. Differences affecting value are noted. Adjustments to compensate for dissimilarities are applied applicable transactions. Adjusted comparable sales produce an indication of value for the subject parcel.

Many factors can affect value. Those considered during this appraisal's land valuation process included yet are not limited to prominence of location, date of sale, size, shape, availability of utilities, zoning, topography, and access.

Numerous sales were reviewed; however, only those deemed most comparable were selected for detailed analysis. All conveyed on an "arm's length" basis except if specifically noted otherwise. Land sales shown herein are presented on a dollar per square foot basis as a common denominator of comparison.

Summary of Comparable Land Sales

The following land sales are tracts of single family and commercial land – similar in size to the subject properties. The tracts of land are located in smaller communities in Scott County. The sale of these land tracts provides a basis for estimating the value of the subject sites.

Sale Date	Sale Price	RECORDING	CityDisp	Address	Lot Area (sf)	Acres	Occupancy	PRICE/SF	Year Built
8/27/2021	\$ 23,000	2021-030204	CITY-BUFFALO	706 HACKER ST	15,245	0.35	Single-Family Dwelling	\$ 1.51	2022
6/30/2023	\$ 30,000	2023-011454	CITY-BUFFALO	(410) 4TH ST	12,285	0.28		\$ 2.44	
10/12/2022	\$ 40,000	2022-026859	CITY-BUFFALO	918 FRANKLIN ST	27,750	0.64	Single-Family Dwelling	\$ 1.44	2022
12/6/2022	\$ 15,000	2022-030519	CITY-BUFFALO	(1025) WALNUT ST	11,980	0.28		\$ 1.25	
5/19/2022	\$ 152,000	2022-015200	CITY-ELDRIDGE	300 N 16TH AVE	91,460	2.10	Wrhse - Mini / Self Storage	\$ 1.66	2022
11/1/2021	\$ 175,000	2021-038474	CITY-ELDRIDGE	657 S 16TH AVE	81,976	1.88	Rec/Soc - Hall, Rcptn/Cibtrn Ctr	\$ 2.13	2022
11/17/2021	\$ 185,000	2021-040453	CITY-ELDRIDGE	205 S 9TH AVE	38,375	0.88	Retail - Retail Strip Center	\$ 4.82	2022
4/21/2023	\$ 68,000	2023-006706	CITY-ELDRIDGE	419 LINDEN LN	11,674	0.27	Single-Family Dwelling	\$ 5.82	2023
5/17/2023	\$ 84,000	2023-009583	CITY-ELDRIDGE	751 MUIRFIELD CIR	10,375	0.24		\$ 8.10	
11/2/2023	\$ 85,000	2023-019880	CITY-ELDRIDGE	(615) S 2ND ST	36,630	0.84		\$ 2.32	
8/6/2021	\$ 230,000	2021-027601	CITY-ELDRIDGE	880 S 1ST ST	85,945	1.97	Steel Utility Building	\$ 2.68	2022
8/25/2023	\$ 90,000	2023-015286	CITY-LECLAIRE	2305 DEER RIDGE CIR	40,032	0.92		\$ 2.25	
7/23/2021	\$ 65,000	2021-025550	CITY-LECLAIRE	1 COUNTRY CLUB CT	20,778	0.48	Single-Family Dwelling	\$ 3.13	2023
5/3/2023	\$ 43,000	2023-007421	CITY-LECLAIRE	327 S 8TH ST	11,325	0.26		\$ 3.80	
4/14/2022	\$ 85,000	2022-010577	CITY-LECLAIRE	49 COUNTRY CLUB CT	14,000	0.32	Single-Family Dwelling	\$ 6.07	2022
7/23/2021	\$ 65,000	2021-025550	CITY-LECLAIRE	1 COUNTRY CLUB CT	22,869	0.53	Single-Family Dwelling	\$ 2.84	2023
1/10/2024	\$ 15,000	2024-002469	CITY-LECLAIRE	(2701) VALLEY DR	28,924	0.66		\$ 0.52	
5/4/2022	\$ 178,000	2022-013018	CITY-LECLAIRE	5 PEBBLE CREEK DR	39,988	0.92	Single-Family Dwelling	\$ 4.45	2023
8/27/2021	\$ 64,000	2021-031222	CITY-LECLAIRE	8 COBBLESTONE LN	12,200	0.28	Single-Family Dwelling	\$ 5.25	2022
4/22/2022	\$ 65,000	2022-011113	CITY-LECLAIRE	700 TITUS CT	12,275	0.28	Single-Family Dwelling	\$ 5.30	2021
6/16/2023	\$ 110,000	2023-010843	CITY-LECLAIRE		23,261	0.53		\$ 4.73	
8/27/2021	\$ 64,000	2021-031067	CITY-LECLAIRE	10 COBBLESTONE LN	12,415	0.29		\$ 5.16	
11/15/2022	\$ 65,000	2022-029864	CITY-LECLAIRE	602 TITUS CT	15,040	0.35	Single-Family Dwelling	\$ 4.32	2021
12/20/2021	\$ 50,000	2021-043840	CITY-LECLAIRE	10 SANDSTONE CT	11,587	0.27	Single-Family Dwelling	\$ 4.32	2022
1/24/2022	\$ 60,000	2022-002362	CITY-LECLAIRE	31 SANDSTONE CT	13,809	0.32	Single-Family Dwelling	\$ 4.35	2023
5/28/2024	\$ 75,000	2024-009062	CITY-LONG GROVE	(412) S DIAMOND DR	12,880	0.30		\$ 5.82	
8/27/2021	\$ 72,000	2021-030351	CITY-LONG GROVE	413 S EMERALD CT	12,180	0.28	Single-Family Dwelling	\$ 5.91	2022
8/4/2023	\$ 66,500	2023-015162	CITY-LONG GROVE	419 S EMERALD CT	14,244	0.33	Single-Family Dwelling	\$ 4.67	2023
7/2/2024	\$ 75,000	2024-011120	CITY-LONG GROVE	414 S DIAMOND DR	12,880	0.30		\$ 5.82	
2/1/2023	\$ 76,000	2023-002584	CITY-LONG GROVE	416 S DIAMOND DR	12,880	0.30	Single-Family Dwelling	\$ 5.90	2023
7/18/2023	\$ 60,000	2023-013246	CITY-MAYSVILLE	9390 NEW LIBERTY RD	19,650	0.45		\$ 3.05	
4/14/2022	\$ 50,000	2022-010483	CITY-MAYSVILLE	9390 NEW LIBERTY RD	19,650	0.45		\$ 2.54	

Analysis & Conclusions

Property Rights Agreements or laws create partial interests in real estate. A deed restriction or life estate usually reduces rights and value. If the subject is not affected by these limitations and a comparable is, then the sale price of the comparable needs an upward adjustment. In another situation, unfavorable leases eliminate a landlord's right to collect market rent, so the real estate sells for a below-market price. Unless stated otherwise, property rights are virtually the same for the subject and all cited conveyances. Hence, no adjustments are necessary for this element of comparison.

Financing Sub-market financing is a common technique used to finance the acquisition of real estate during periods of high interest rates. When non-market financing is used, the financing may be favorable to the buyer so the sale price is inflated. Unless a statement is made to the contrary, non-market financing was not used to acquire any comparable sale cited in this report. Therefore, no compensations are needed for financing.

Conditions of Sale An adjustment for conditions of sale is necessary when a criterion of market value is violated. It could compensate for unusual buyer or seller motivations. For instance, when a seller gives a buyer an atypical rebate, discount, credit, or something of value to induce a conveyance, the sale price is usually inflated. Unless stated otherwise, no adjustments are necessary for conditions of sale.

Expenditure Post Sale This is a situation when a buyer is compelled to invest additional money into a property immediately after acquisition for some atypical reason. Unless a contrary statement is made, no adjustments are necessary for post-sale expenditures.

Market Conditions Adjustments for market conditions are commonly referred to as time adjustments, but this is misleading. Value does not change due to the passage of time; sometimes it remains stable. Often real estate values fluctuate due to changes in supply and demand, interest rates, employment, or inflation. This type adjustment compensates for change in market conditions between a sale's transaction date and the date of value.

In this case, the sales occurred in a time period from 2021 to 2024. Because these locations are rural or semi-rural sites generally outside faster growing urban areas, little price appreciation during this time period was considered likely.

Location Each property was compared to the subject sites with regard to its location including such aspects as value growth potential, access, and general desirability. The land sales were considered similar in population. Site 2 is located along Highway 22 and is considered slightly more valuable due to its access and frontage to traffic flows.

Four of the land sales considered are located in the City of Buffalo and, as such, these sales will be given most consideration for the sites.

Property Size The comparable tracts of land varied from 0.24 to 2.10 acres; the subject properties varied in size from 0.46 to 0.73 acres. For this reason, the sales were considered basically similar.

Analysis & Conclusions

The appraisers are well aware the cited conveyances are less than ideal comparisons. However, sales of more comparable properties were not discovered during our research.

Value Indication

Site #1 is relatively distant from a major highway and is located in an area that is residential or services oriented, as a result. The sale prices per square foot exhibited by the Buffalo properties is from \$1.25 to \$2.44. Three of the sales were certainly purchased for residential use. These show a range from \$1.25 to \$1.51 per square foot. The other sale (410 4th Street) is also in a residential area, but is adjacent to a church, which may have been an additional impetus to pay a slightly higher price. Considering all items, we believe the value of this site should be about \$1.40/SF.

Site #2 is considered much more peripheral to patterns of development than any of the comparable land sale transactions. The site is relatively distant from Highway 22 and Jefferson Street and thus would be in relatively low demand. However, it is a relatively smaller site than Sale #3 or Site #1 so I would estimate its price also at about \$1.40/SF.

Site #3 is located along the south frontage of Highway 22 in a location that could have some retail commercial appeal. The only true comparables of this type were in Eldridge, listed just under the Buffalo sales. These ranged from \$1.66 to \$4.82 per square foot. We estimate the value of this site to be \$2.50/SF.

Land Value

After consideration of all factors pertaining to and influencing land values, the following is selected as the most fitting value indication for the subject parcel as though vacant. Accordingly,

Site 1

<i>Indicated Market Value of Subject Land as if Vacant</i>	\$44,519
<i>31,799 SF @ \$1.40/SF</i>	

Site 2

<i>Indicated Market Value of Subject Land as if Vacant</i>	\$28,053
<i>20,038 SF @ \$1.40/SF</i>	

Site 1

<i>Indicated Market Value of Subject Land as if Vacant</i>	\$70,785
<i>28,314 SF @ \$2.50/SF</i>	

Total of Subject Sites

<i>Indicated Market Value of Subject Land as if Vacant</i>	\$143,357
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<i>Via Sales Comparison, Say</i>	\$143,000
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Cost Approach

Introduction

The Cost approach – as applied to this case - is a multi-step process that is detailed below.

- Preparation of a current replacement cost estimate for all the subject's physical improvements. This figure is obtained by using standard cost estimation guides for both the water and waste water systems as well as an inventory with item costs for the wastewater system prepared by licensed engineers
- From total cost new, an amount must be deducted for depreciation. Depreciation is a loss in value due to any cause. It can be classified into three main types - physical deterioration, functional obsolescence, or external obsolescence.
- Land value is then added based on a value previously arrived at in the report, usually via sales comparison.
- Finally, land value, the depreciated cost of the improvements, are totaled to derive a value estimate via the Cost approach.

Depreciation

Physical deterioration is an adjustment for wear and tear. In this report, this allowance was based upon the age-life method. This method divides the building's effective physical age by its total useful life thereby producing a percentage figure.

For the water system the depreciation for the entire system was based on primarily on the age-life method. Age was based mostly on the original date of installation; lifetimes were based surveys of expected lifetimes as well as industry research.

Functional obsolescence is a penalty, as recognized by the marketplace, for inefficiency within the borders of the property being appraised. An example is an inefficient floor plan, or a building improperly positioned on a site. Reports from the city indicated the improvements were in good repair and DNR reports indicated a functional system.

External obsolescence is a penalty, as recognized by the marketplace, for an adversity outside the borders of the appraised property. As an example, unpleasant odors originating from a garbage-dump often causes value to decline for all nearby property types. No economic obsolescence was observed in this case. Population was forecasted to grow so that demand for future supply is adequate and stabilized.

Cost Approach

Replacement Cost Estimates

Replacement costs were based on inventory and cost figures provided by licensed engineers familiar with the water and wastewater systems in Buffalo.

In addition, reference was made to the *Cost Estimating Guide for Water, Wastewater, Roads and Buildings, For Use in Preparing the Local Infrastructure Capital Improvement Plan*, originally developed for DFA Local Government Division by New Mexico Environmental Finance Center in June 2006 and updated to 2020. This reference was created to aid small municipalities in estimating costs for water and waste water systems. The updated 2020 report is included in the addenda. That is the most recent update to this report. As such, we have not modified this estimate from our previous report.

Cost Guide for Water System

Replacement costs for the Buffalo water system using the Cost Estimating Guide are presented below:

Water Source Costs > 300 Households					
Well Costs					
Well Depth	Cost/SF	Cost		Low	High
405	\$160.00	\$64,800		\$64,800	\$75,600
480	\$157.50	\$75,600			
Pump Cost					
Well Diameter	Cost/Well	Cost			
6	\$7,900	\$7,900		\$15,800	\$15,800
8	\$7,900	\$7,900			
Chlorinator Cost					
Households	Cost/HH	Cost			
450	\$485	\$218,250		\$436,500	\$715,500
450	\$795	\$357,750			
Water Storage Costs > 300 Households					
Water Tower					
Size of Tank	Cost Range	Cost		Low	High
270000	\$0.55	\$148,500		\$148,500	\$172,800
270000	\$0.64	\$172,800			
Water Distribution > 300 Households					
Piping					
Diameter	Cost/LF	LF		Low	High
4-inch	\$41.62	15,018		\$625,049	\$625,049
6-inch	\$44.88	19,846		\$890,688	\$890,688
8-inch	\$50.08	3,280		\$164,262	\$164,262
Surface Water Treatment					
Households	Size (Gallons/day)	Cost			
450	<500,000	\$4.09		\$ 818,000	\$ 952,000
450	<500,000	\$4.76			
Cost based on 0.200 MGD					
Water System Total Costs				\$3,163,600	\$3,611,700

Cost Approach

Estimated Construction Replacement Cost of Wastewater Treatment Plant				
Buffalo, Iowa				
May 3, 2021				
Revised May 6, 2024				

Replacement costs for the Buffalo wastewater system using the Cost Estimating Guide are presented below:

Cost per household figures for wastewater systems include Collection System, Treatment Pumps, Treatment facilities

Gravity collection system costs were based on the total acres in Buffalo divided by number of households in the City. Based on ESRI data, the City of Buffalo comprises about 4.22 acres with a total of 450 households, so that ratio of acres to households is less than 0.5 acres; making the city an Urban location.

Wastewater Collection > 300 Households					
Gravity Collection System					
Classification	Cost per Household	Cost		Low	High
Semi-Urban	\$15,600	\$7,020,000		\$3,740,400	\$7,020,000
Urban	\$8,312	\$3,740,400			
Pump Station Construction Costs > 300 Households					
Pump Station					
Households	Cost Range	Cost		Low	High
100 to 500	\$1,032	\$464,400		\$464,400	\$464,400
Water Treatment > 300 Households					
Treatment Facility					
Households	Size	Cost		Low	High
<3,000	<1,000,000 GPD	\$7.93		\$1,248,975	\$1,993,950
<3,000	<1,000,000 GPD	\$12.66			
Water System Total Costs				\$5,453,775	\$9,478,350

Cost Approach

The following inventory and replacement cost estimates were provided by Mike Janecek, P.E., and the City of Buffalo.

Water System – Inventory and Replacement Cost New

City of Buffalo Water Inventory									
Description	Type	Size	Year Built	Age	Quantity	Units	Unit Price (May 2021)	Inflation Adjusted Unit Price	Cost
Water Line	DI	4"	1958	66	15018	LF	\$60.00	\$69.00	\$1,036,242.00
Water Line	DI	6"	1958	66	11058	LF	\$70.00	\$80.50	\$774,060.00
Water Line	PVC	6"	1974	50	8788	LF	\$50.00	\$57.50	\$439,400.00
Water Line	DI	8"	1958	66	1262	LF	\$80.00	\$92.00	\$100,960.00
Water Line	PVC	8"	1974	50	2018	LF	\$60.00	\$69.00	\$121,080.00
Water Valve	DI		1958	66	43	EA	\$1,000.00	\$1,150.00	\$43,000.00
Water Valve	DI		1974	50	16	EA	\$1,000.00	\$1,150.00	\$16,000.00
Fire Hydrant Assembly			1958	66	31	EA	\$6,000.00	\$6,900.00	\$186,000.00
Fire Hydrant Assembly			1974	50	13	EA	\$6,000.00	\$6,900.00	\$78,000.00
Pressure Relief Vaults					4	EA	\$10,000.00	\$11,500.00	\$40,000.00
Water Treatment Plant & Elev. Tank*			1997	27	1	EA	See Attachment	\$2,618,417.00	\$2,618,417.00
Aerator & Detention Tank @ Well #2*			1989	35	1	EA	See Attachment	\$187,660.00	\$187,660.00
Well #2 & Pump Building*			1975	49	1	EA	See Attachment	\$554,035.00	\$554,035.00
Upgrade PLC at Water Treatment Plant			2023	1	1	EA	\$ 55,000.00	\$56,250.00	\$56,250.00
Replace Fire Hydrants			2023	1	9	EA		\$6,900.00	\$62,100.00
Well #1*			1958	66	1	EA	See Attachment	\$400,000.00	\$400,000.00
Well #1 Rehabilitation			2023	1	1	EA		\$50,000.00	\$50,000.00
Totals									\$6,763,204.00

Waste Water System -Inventory and Replacement Cost New

City of Buffalo Sanitary Sewer Inventory										
Description	Type	Size	Year Built	Age	Quantity	Year Updated	Units	Unit Price (March 2021)	Unit Price (May 2024)	Cost (May 2024)
Gravity Sewer	Conc.	8"	1960	64	18,186		LF	\$55.00	\$63.25	\$1,150,264.50
Gravity Sewer	Conc.	8"	1981	43	8139		LF	\$55.00	\$63.25	\$514,791.75
Gravity Sewer	Conc.	10"	1960	64	5916		LF	\$60.00	\$69.00	\$408,204.00
Sewer Lining					1		LS	\$186,000.00	\$213,900.00	\$213,900.00
Force Main	DI	8"	1981	43	441		LF	\$70.00	\$80.50	\$35,500.50
Force Main	DI	10"	1960	64	2062		LF	\$80.00	\$92.00	\$189,704.00
Manholes	Conc.	4	1960	64	81		EA	\$4,000.00	\$4,600.00	\$372,600.00
Manholes	Conc.	5	1981	43	32		EA	\$4,500.00	\$5,175.00	\$165,600.00
East Lift Station			1981	43	1		EA	\$200,000.00	\$230,000.00	\$230,000.00
West Lift Station			1960	64	1	1983	EA	\$150,000.00	\$172,500.00	\$172,500.00
Wastewater Treatment Plant			1983	41	1		EA	\$5,589,000.00		\$6,404,000.00
Total										\$9,857,064.75

Cost Approach

Reconciliation of Cost Estimates

The following chart summarizes the Generic cost estimates and the Engineers' Estimates for the Water and Wastewater systems.

The Water system estimates are higher probably because of the cost of the water treatment plant. This estimate was based on the original cost of construction of the system inflated to current costs. The limitation of such estimates is that they do not necessarily incorporate the same techniques of construction and choice of materials. However, the water pipeline estimates are also somewhat higher based on current, local costs for new materials. Likewise, the water tower cost is higher. The Water well estimates are lower than generic replacement costs. On balance, the costs do not appear biased and reflect current, verifiable costs. Final Costs were adjusted for the water wells.

The Wastewater system estimates are well within the range of the Generic estimates. The inclusion of land value duplicates – for this report – the estimate of land value provided earlier. This item is excluded from the inventory schedule for depreciation but included in the final costs in the concluding estimate of value in this section of the report.

	<i>Generic</i>		<i>Engineers' Estimate</i>	<i>Comments</i>
	<i>Low</i>	<i>High</i>		
<i>Water system</i>	\$3,163,600	\$3,611,700	\$6,763,204	<i>Water Cost estimate adjusted to \$7,398,549 for water tower paint, hydrants, well rehab done in 2024</i>
<i>Wastewater System</i>	\$5,453,775	\$9,478,350	\$9,857,065	

Cost Approach

Estimate of Depreciated Cost of Water

The estimate age and life of each component is included in this chart. The cost new is reduced by the percentage of depreciation.

City of Buffalo Water Inventory						
Description	Cost	Effective Age	Avg Service Life	Deprediation %	Depreciation Amount	RCNLD** (May 2024)
Water Line	\$1,036,242.00	58	75	0.7733	\$801,360.48	\$234,881.52
Water Line	\$774,060.00	58	75	0.7733	\$598,606.40	\$175,453.60
Water Line	\$439,400.00	48	100	0.4800	\$210,912.00	\$228,488.00
Water Line	\$100,960.00	58	75	0.7733	\$78,075.73	\$22,884.27
Water Line	\$121,080.00	48	100	0.4800	\$58,118.40	\$62,961.60
Water Valve	\$43,000.00	58	75	0.7733	\$33,253.33	\$9,746.67
Water Valve	\$16,000.00	53	75	0.7067	\$11,306.67	\$4,693.33
Fire Hydrant Assembly	\$186,000.00	48	50	0.9600	\$178,560.00	\$7,440.00
Fire Hydrant Assembly	\$78,000.00	43	50	0.8600	\$67,080.00	\$10,920.00
Pressure Relief Vaults	\$40,000.00	43	50	0.8600	\$34,400.00	\$5,600.00
Water Treatment Plant & Elev. Tank *	\$2,618,417.00	27	45	0.6000	\$1,571,050.20	\$1,047,366.80
Aerator & Detention Tank @ Well #2*	\$187,660.00	35	50	0.7000	\$131,362.00	\$56,298.00
Well #2 & Pump Building*	\$554,035.00	49	70	0.7000	\$387,824.50	\$166,210.50
Upgrade PLC at Water Treatment Plant	\$56,250.00	1	25	0.0400	\$2,250.00	\$54,000.00
Replace Fire Hydrants	\$62,100.00	1	50	0.0200	\$1,242.00	\$60,858.00
Well #1*	\$400,000.00	66	85	0.7765	\$310,588.24	\$89,411.76
Well #1 Rehabilitation	\$50,000.00	1	20	0.0500	\$2,500.00	\$47,500.00
Totals	\$6,763,204.00				\$4,478,489.95	\$2,284,714.05

We have added \$635,345 for the water tower paint, hydrants, Well #1 rehab and repair. This is not depreciated as they were placed in service in 2024. The contributory value of the water system is therefore **\$2,920,059**.

Estimate of Depreciated Cost of Wastewater

The estimate age and life of each component is included in this chart. The cost new is reduced by the percentage of depreciation.

City of Buffalo Sanitary Sewer Inventory						
Description	Cost (May 2024)	Effective Age	Avg Service Life	Depreciation %	Depreciation Amount	RCNLD** (May 2024)
Gravity Sewer	\$1,150,264.50	53	75	0.7067	\$812,853.58	\$337,410.92
Gravity Sewer	\$514,791.75	38	75	0.5067	\$260,827.82	\$253,963.93
Gravity Sewer	\$408,204.00	53	75	0.7067	\$288,464.16	\$119,739.84
Sewer Lining	\$213,900.00	38	50	0.7600	\$162,564.00	\$51,336.00
Force Main	\$35,500.50	35	75	0.4667	\$16,566.90	\$18,933.60
Force Main	\$189,704.00	53	75	0.7067	\$134,057.49	\$55,646.51
Manholes	\$372,600.00	33	35	0.9429	\$351,308.57	\$21,291.43
Manholes	\$165,600.00	23	35	0.6571	\$108,822.86	\$56,777.14
East Lift Station	\$230,000.00	23	30	0.7667	\$176,333.33	\$53,666.67
West Lift Station	\$172,500.00	23	30	0.7667	\$132,250.00	\$40,250.00
Wastewater Treatment Plant	\$6,404,000.00	33	50	0.6600	\$4,226,640.00	\$2,177,360.00
Total	\$9,857,064.75				\$6,670,688.72	\$3,186,376.03

Cost Approach

Value Indication

The following chart summarizes the value from the Cost approach by adding Land Value plus Depreciated Cost of Improvements and then combining them for a total value.

<i>Add: Indicated Market Value of Land</i>	\$143,000
<i>Indicated Cost of Water System Improvements</i>	\$7,398,549
<i>Less: Depreciation [66.2%]</i>	(\$4,478,490)
<i>Add: Depreciated Cost of Water System Improvements</i>	\$2,920,059
<i>Indicated Replacement Cost of Waste Water System</i>	\$9,857,065
<i>Less: Depreciation [67.7%]</i>	(\$6,670,689)
<i>Add: Depreciated Cost of Waste Water System Improvements</i>	\$3,186,376
<i>Indicated Total Market Value</i>	\$6,106,435
<i>Of Land and Improvements of Water and Waste Water Systems</i>	
<i>Equals: Total Market Value via Cost Approach, rounded to,</i>	\$6,100,000

Sales Comparison Approach

Introduction

In an appraisal, the real estate being appraised is referred to as the “subject” or “subject property”. Properties possessing characteristics that are similar to the subject are called “comparable sales”. In this approach, comparable sales are compared to the subject. Differences are noted. Dissimilarities between the subject and the comparable sales are categorized into elements of comparison. Adjustments, to compensate for dissimilarities, are next applied the sale prices of the comparable sales. Then, a value opinion for the subject is reconciled from the range in adjusted sale prices established by the comparable sales.

The sales comparison approach is a way to determine a water utility’s value by using one or more methods that compare the subject property with similar businesses that have been sold. There are two common methods of estimating value under the market approach: (1) the guideline public company method and (2) the guideline transactions method. With the guideline public company method, market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and actively traded on a free and open market (ASA 2009).

Under the guideline transactions method, price multiples are derived from sale of entities involving companies engaged in the same or similar lines of business (ASA 2009). If the sales comparisons are not exactly like the properties being valued, the selling prices are adjusted to equate them to the characteristics of the properties being valued. Certain factors, such as location, date of sale, physical characteristics, and technical and economic factors relating to the transaction are analyzed for their comparability to the subject being appraised. This approach is most reliable and applicable when there is an active market providing a sufficient number of sales of comparable properties that can be independently verified through reliable sources.

The annual water utility transaction market is marginally active at best, with fewer than 100 sales and purchases of water utilities by privately owned utilities each year. Sales or purchases among municipal water systems tend to occur less frequently because government agencies usually are not interested in selling their utility assets or acquiring water systems outside their political jurisdiction. Furthermore, it is usually municipalities with jurisdiction within close proximity of the subject property that consider merging with or acquiring a water utility system, as seen with regionalization efforts such as occurred in Raleigh, N.C., in the past, where seven local utilities merged into a regional water and wastewater provider.

In some cases, a municipality may need special enabling legislation or other legal authority to acquire and operate systems outside of their jurisdictional boundaries. All of these factors combine to make the market for municipally owned water systems thinly traded.

Water utility sales transactions may be considered comparable to the system being valued if the sales transactions are similar in terms of one or more of the following aspects:

- System size
- Locational/regional economic conditions
- Regulatory environment
- Type of service provided (water, wastewater, or both)
- Physical characteristics, including type(s) of source water (e.g., surface or groundwater) and treatment technologies

Because of the limited number of sales transactions that occur in the water sector and the challenge associated with obtaining relevant information on each transaction, the market approach for valuing water utility systems isn't often weighted heavily in a valuation assessment. In addition, because of the limited market for water utility systems, a discount in value due to the lack of marketability may be appropriate

Summary of Water and Wastewater System Sales

The appraiser searched for sales of water and wastewater systems in the mid-west United States similar to the subject property. Research identified the following sales. This summary includes transactions that were verified from Annual Reports and SEC filings for several major private utilities. Some sales were verified from Press releases. These sales are summarized on the following page:

The following list includes 10 sales that were reported to have closed or have been pending [as of Mid-2024]. The sales were geographically varied with sales in Pennsylvania, Missouri, Ohio and Illinois. The sales involved both large and small systems and included some transactions where both the water and the wastewater systems were conveyed.

Sales of Water & Wastewater Facilities to Investor-Owned Utilities							
	System	Location (City, State)	Date of Sale	Price	Residential Connections: Water/Waste	Price per Connection	Comments
Comp #	Water & Wastewater System	Buffalo, IA			426/421		
1	Wastewater System	Manville, NJ	4/1/2024	\$6,500,000	3,700	\$ 1,757	American Water already had water contract, investing another \$10M post-sale.
2	Wastewater System	Salem City, NJ	3/1/2024	\$18,000,000	3,700	\$ 4,865	
3	Water & Wastewater	Jefferson Utilities, WV	10/2/2023	\$30,000,000	4,000	\$ 7,500	
4	Water	Borough of Shenandoah, PA	7/24/2023	\$12,000,000	3,000	\$ 4,000	
5	Wastewater System	Union Rome, OH	7/10/2023	\$25,500,000	5,300	\$ 4,811	
6	Water & Wastewater	Egg Harbor, NJ	6/1/2023	\$21,800,000	3,000	\$ 7,267	
7	Water	Alendale, NJ	1/23/2023	\$18,000,000	2,535	\$ 7,101	
8	Water & Wastewater	City of Villa Grove	9/22/2022	\$11,000,000	2,500	\$ 4,400	
9	Water & Wastewater	Eureka, MO	8/4/2022	\$28,000,000	4,000	\$ 7,000	
10	Water & Wastewater	Bolivar, MO	2/1/2022	\$23,500,000	8,300	\$ 2,831	

Sales Comparison Approach

Analysis & Conclusions

Property Rights Agreements or laws create partial interests in real estate. A deed restriction or life estate usually reduces rights and value. Unless stated otherwise, property rights are virtually the same for the subject and all cited conveyances. Hence, no adjustments are necessary for this element of comparison.

Financing Sub-market financing is a common technique used to finance the acquisition of real estate during periods of high interest rates. When non-market financing is used, the financing may be favorable to the buyer so the sale price is inflated. Unless a statement is made to the contrary, non-market financing was not used to acquire any comparable sale cited in this report. Therefore, no compensations are needed for financing.

Conditions of Sale An adjustment for conditions of sale is necessary when a criterion of market value is violated. It could compensate for unusual buyer or seller motivations. For instance, when a seller gives a buyer an atypical rebate, discount, credit, or something of value to induce a conveyance, the sale price is usually inflated. Unless stated otherwise, no adjustments are necessary for conditions of sale.

Expenditure Post Sale This is a situation when a buyer is compelled to invest additional money into a property immediately after acquisition for some atypical reason. Post-sale invested sums are typically added to the sale price of a comparable thereby producing an adjusted sale price. The anticipation of future capital expenditures that can be charged to a large customer base together with the expected economic returns on these expenditures makes some properties attractive to acquiring investor-owned utilities.

Market Conditions Adjustments for market conditions are commonly referred to as time adjustments, but this is misleading. Value does not change due to the passage of time; sometimes it remains stable. Often real estate values fluctuate due to changes in supply and demand, interest rates, employment, or inflation. Sales occurred from 2022 to 2024 during a low-interest rate environment - a major factor influencing pricing that should have produced a stable price level. As a result, no adjustment was made for market conditions.

Location Each property was rated to the subject for locational aspects such as value growth potential, access, and general desirability. Locations in New Jersey were considered better indications of value for the subject property than more distantly located comparable sales.

Size: Sales where the number of residential connections were similar to the subject property were preferred indicators. Due to the small size of the subject community, there are very few comparables of similar size.

Facilities: Sales where the facility sold was a water and wastewater system – when available - were preferred over sales that involved only one system.

Sales Comparison Approach

Capital Expenditures: Facilities anticipating no future capital expenditures – like the subject property- were preferred indicators.

Demographics: After identifying three sales with a high number of Preferred indicators, these sales were also compared with the subject property on the basis of potential demographic growth.

Needed refinements were identified and explained above. These refinements have been applied in the following table. Due to the variation in size and other characteristics some comparable sales are not used to estimate the final value of the subject property.

Adjustment Grid

The unit of comparison was the Sales Price per residential connection. The subject property's total number of residential connections is 426 water connections and 412 waste water connections.

Value Indication

The unadjusted data varies from \$1,757 to \$7,500 per connection. However, the buyer of the project at the low end of this range already owned the water system, and committed to spending another \$10 Million. The indicated price for the Wastewater System alone is therefore around \$4,459 per connection. Most consideration is placed on sales of Water and Wastewater systems.

The subject property is located in a community which has a relatively flat growth rate, and does not represent an advantage over any of the communities which have sold their systems.

After careful consideration of all factors pertaining to, and influencing the sales comparison approach, the following is selected as the most fitting value indication. Accordingly,

Subject System	426	Water Connections @	\$7,000	Per Connection	\$2,982,000
Subject System	412	Wastewater Connections @	\$7,000	Per Connection	\$2,884,000
<i>Indicated Market Value Via Sales Comparison</i>					\$5,866,000
<i>Rounded to</i>					\$5,870,000

Income Approach

Introduction

The income approach is based on the premise that value is directly related to income. That is, the greater the income, the greater the value.

Capitalization is the process of converting income into a capital sum. Often this is accomplished with direct capitalization where a single year's net income is translated into a value indication via an overall cap rate. The cap rate is a reflection of risk - the greater the risk, the greater the rate. Implicit within the rate are all investor expectations about all investment aspects including income generation, value growth, taxation, and general market risk.

The Income Approach was not applied in this report.

Reconciliation

All salient aspects of the subject property have been presented and discussed. Zoning uses, requirements and limitations were considered. If part of the scope of work, the subject's Highest and Best Use was determined. Appropriate valuation techniques were processed. Applicable approaches produced the following results:

Value Indications	"Value"
Cost Approach	\$6,100,000
Sales Comparison	\$5,870,000
Income Approach	Not Applied

The Cost Approach probably reflects most accurately the precise configuration of the existing system based on its layout and design. This involves adjusting for depreciation but the larger number of components tends to balance out the errors - positive and negative - in estimating age and life of these components. The limit of this approach is that it does not reflect actual market behavior.

By contrast, the Sales Comparison approach is based on actual market activity. In this case, a number of recent indicators were identified and they readily provided an indication of value. However, there are differences in the systems due to the age and design of the systems that probably influence pricing but are not readily apparent in the data. This weakens the reliability of this approach.

For this reason, neither approach by itself could be relied upon as a single indicator, and we estimate the value giving equal weight to both methods:

\$6,000,000 Market Value

Exposure & Marketing Time

Terminology abounds in the real estate appraisal profession. Two related but different concepts that are often confused are Exposure Time and Marketing Time. USPAP specifically addresses the confusion.

Term	Definition	Explanation
Exposure Time (Statement 6)	<i>"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal".</i>	Backward looking, ends on the effective value date. Based on factual, past events
Marketing Time (Advisory Opinion 7)	<i>"An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value during the period immediately after the effective date of the appraisal".</i>	Forward looking, starts on the effective value date. A forecast based on expectancies of future occurrences.

Marketing time and exposure time are both influenced by price. That is, a prudent buyer could be enticed to acquire the property in less time if the price were less. Hence, the time span cited below coincides with the value opinion(s) formed herein.

USPAP Standard rule 1-2(c)(iv) requires an opinion of exposure time, not marketing time, when the purpose of the appraisal is to estimate market value. In the recent past, the volume of competitive properties offered for sale, sale prices, and vacancy rates have fluctuated little. Sale concessions have not been prevalent. In light thereof, an estimated exposure time for the subject is 12 to 12 months assuming competitive pricing and prudent marketing efforts.

A marketing time estimate is a forecast of a future occurrence. History should be considered as a guide, but anticipation of future events & market circumstances should be the prime determinant. Overall market conditions are expected to remain essentially stable, so a marketing interval between 12 and 12 months is predicted for the subject.

Certification

The appraisers signing this report make the following certifications to the best of their knowledge and belief.

- The statements of fact contained in this report are true and correct.
- Reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions contained within this report, and are the appraisers' personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The appraisers have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- The appraisers have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- This engagement is not contingent upon developing or reporting predetermined results.
- Compensation paid to the appraisers is not contingent upon the development or reporting of a predetermined value, or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- Reported analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP)
- A statement regarding observation of the subject property by each appraiser is listed below. None of the appraisers is a professional property inspector. Furthermore, none of the appraisers has formal training in the use of tools or instruments as part of a professional property inspection. Observations by one or more of the appraisers, if any, was limited to just those physical features and attributes that are not hidden or obscure in any fashion by any object or weather condition. None of the appraisers used any tools or instruments, beyond those typically used by appraisers to probe, study, investigate, detect, or discover any physical feature or attribute that was not clearly visible on the date the property was observed.

Appraisers	Observations
Gene F. Nelsen, MAI, CCIM	Aerial Photo Observation

- No one provided significant real property appraisal assistance to the appraiser(s) signing this certification.

Certification

- The appraisers performed services, as appraisers, regarding the property that is the subject of this report during the three-year period immediately preceding acceptance of this assignment. The appraiser prepared the original report on July 01, 2021. A revised report incorporated new information on the number of water and wastewater connections provided by the City of Buffalo in December, 2021. A further correction was applied to the calculation of accrued depreciation in this report prepared on March 29, 2022.
- Use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- After careful consideration of all factors pertaining to and influencing value, the data, and analysis thereof firmly supports the following final value opinion(s) for the subject property as of July 01, 2024:

\$6,000,000 Market Value

A handwritten signature in dark ink, appearing to read 'Gene F. Nelsen', with a stylized, cursive script.

Gene F. Nelsen, MAI, CCIM
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2025

Qualifications

Gene F. Nelsen, MAI CCIM

President

Nelsen Appraisal Associates, Inc.

10580 Justin Drive

Urbandale, IA 50322

515-276-0021 Phone

515-276-9303 Fax

gene@nelsenappraisal.com



Since 1985 Gene has analyzed nearly all real estate types. He is a member of the Appraisal Institute and CCIM Institute and is qualified and experienced in commercial, industrial and residential real estate appraising. His experience includes valuation and consulting for these property types and purposes.

- Office, Industrial, Retail, and Multi-Family Properties.
- Senior Assisted/Independent Living and Nursing Facilities.
- Real estate consulting in valuation, rent analysis, land development and land use evaluation.
- Eminent Domain valuation.
- Appraisal review.
- Expert witness testimony.

Education

University of Northern Iowa

B.A., Science - Environmental Planning, Urban Planning Emphasis, 1983

Appraisal Institute

Designated MAI, 1991

MAI Continuing Education includes the successful completion of courses covering a wide range of appraisal skills and practices. Credit hours earned meet or exceed the Appraisal Institute's requirement of 100 credit hours during each five-year period.

CCIM Institute

Designated CCIM, 2003

Professional Affiliations

- MAI Designated Member of Appraisal Institute, 1991
- CCIM Designated Member of the CCIM Institute, 2003
- President, Appraisal Institute, Iowa Chapter, 1998
- Regional Representative Appraisal Institute, Iowa Chapter 1999-2001
- Public Relations Chair, Appraisal Institute, Iowa Chapter, 2001-2014
- Chair, University of Northern Iowa Real Estate Education Program Advisory Council – 2004-2005
- Scholarship Committee Chair – 2017 to 2023.
- President, CCIM Institute, Iowa Chapter 2010-2011. Board Member 2004-2012
- Iowa Commercial Real Estate Expo, Committee Member since 1996 - Co-Chair 2010
- Iowa Commercial Real Estate Association, Board Member 2008-2012, Current Member
- Iowa Real Estate Appraiser Examining Board – Board Member 2011-2017 – Chair 2014 – 2016
- Hyperion Field Club - Board Member 2023 to Present

State Certification

State of Iowa, Certified General Real Property Appraiser

Sphere of Influence

At the request of his clients Gene has appraised real property in Arizona, Illinois, Iowa, Colorado, Kansas, Minnesota, Missouri, Nebraska, Oklahoma, South Dakota, Utah, New Mexico and Wisconsin.
, Missouri, Nebraska, Oklahoma, South Dakota, Utah, New Mexico and Wisconsin.

Copyright Protection

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Urbandale, Iowa 50322
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The descriptions, analyses, and conclusions stated herein are intended for the exclusive use of our client, City of Buffalo, and other explicitly identified intended users, solely for the intended use stated in this document.

Nelsen Appraisal Associates, Inc. retains all rights, title, and interests in all trademarks, trade names, trade secrets, data, conclusions, opinions, valuations, and other information included in, arising out of, or in any way related to this appraisal.

No person or entity shall be entitled to break down, strip out, mine, or disseminate any component or portion of this report, including, but not limited to any valuations, opinions, data compilations, or conclusions.

This report and all its contents is a culmination of intellectual and professional experiences, education, personal investigations, and know-how, which shall at all times remain the property of Nelsen Appraisal Associates, Inc., its sole owner.

End of Report

ADDENDA

10580 Justin Drive
Urbandale, IA 50322



Nelsen Appraisal Associates, Inc.

(Bus) 515-276-0021
(Fax) 515-276-9303

February 8, 2024

Tanna Leonard
City Clerk
City of Buffalo
Buffalo, Iowa

Re: Water and Sanitary Sewer Valuation

Dear Ms. Leonard:

We propose to prepare an appraisal report addressing the value of the fee simple interest of the above-described property in Buffalo, Iowa. The property is a city-owned water and sanitary sewer system.

The cost of the appraisal report will not exceed \$6,500 total, including all meetings prior to delivery of the final report. The fee is due upon completion and the appraisal report shall be completed approximately 8 weeks from the signed acceptance date.

All findings and communications are considered confidential between the ownership and appraiser.

Thank you for the opportunity to provide this service to you. If you have any further questions or wish to modify this agreement please contact me at your convenience. Otherwise, please indicate your approval by signing the enclosed agreement.

A handwritten signature in black ink, appearing to read 'Gene F. Nelsen'.

Gene F. Nelsen, MAI, CCIM
President
Certified General Real Property Appraiser
Iowa License CG01034
License Expiration Date: 6/30/2025

Ms. Tanna Leonard

February 8, 2024

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Authorization to Proceed

I, Tanna Leonard, authorize Nelsen Appraisal Associates, Inc. to perform the appraisal assignment as described in this letter proposal. I understand that the fee is expected before work commences. Any changes to the scope of this assignment by me may result in charges greater than the terms herein described.

